Understanding **Utility Hardship**

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bankwest

Curtin University

Acknowledgement of Country

WACOSS respectfully acknowledges the Traditional Owners of Country throughout Western Australia and recognises their continuing connection to land, waters and community. We pay our respects to them, their cultures, and to elders both past and present. We acknowledge the land on which we live and work is, and always will be, Aboriginal land. Sovereignty was never ceded.

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Disclaimer

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The views expressed in this document do not necessarily reflect the views of the Water Corporation, the State Government of Western Australia or Energy Policy WA.

About Bankwest Curtin Economics Centre

The Bankwest Curtin Economics Centre is an independent economic and social research organisation located within the Curtin Business School at Curtin University. The Centre was established in 2012 through the generous support of Bankwest (a division of the Commonwealth Bank of Australia), with a core mission to examine the key economic and social policy issues that contribute to the sustainability of Western Australia and the wellbeing of WA households.

About WACOSS

WACOSS is the peak body for the community services sector in Western Australia and works to create an inclusive, just and equitable society. We advocate for social and economic change to improve the wellbeing of Western Australians, and to strengthen the community services sector that supports them. WACOSS is part of a network consisting of National, State and Territory Councils of Social Service, who advance the interests of people on low incomes and those made vulnerable by the systems that have been put in place.

The authors would like to thank: Mark Harris, Ellie Friesen, Jade Soh, Donna Comtesse, Paul Tuffin, Manelka Fernando, Celia Dufall, Brent Savage, Matthew Martin and Rachelle Gill, for their support, contributions and patience. We would also like to thank everyone who we interviewed, discussed the findings and recommendations with and who completed the survey.

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Introduction

Access to energy and water is essential for people's health, wellbeing and security, and to meet all of their basic needs. This is recognised in the United Nations *2030 Agenda for Sustainable Development,* which sets out the goals of ensuring universal access to affordable, reliable, sustainable and modern energy and the availability and sustainable management of water and sanitation for all.[1]

Providing this access can be challenging, and Western Australia presents particular issues for authorities to overcome. Western Australia's sheer geographic size, the isolation of its electricity network, and the need to manage scarce water resources are just some of the complications impacting affordability and accessibility. Uniform tariff and tariff cap policies are in place to ensure electricity consumers outside of the South West Integrated System (SWIS) are charged the same rate as consumers in the SWIS. Customers in the 'country south' are charged no more than metropolitan customers for the first 300kl of water they use and in the 'country north' for the first 500kl. These policies support more equitable costs for electricity and water; however, challenges remain in delivering and accessing affordable and reliable utility services to regional and remote parts of the State, particularly for certain remote Aboriginal communities.

Western Australia is in the advantageous position that ownership of our electricity and water retailers for residential consumers has remained in the hands of the public. Residential customers have largely been shielded in those areas from the failure of privatisation over east, with the supposed benefits of competition remaining elusive. The retail gas market in Western Australia, however, was made fully contestable in 2004. Prices for small-use customers, such as residential households, in the Mid West/South West, Kalgoorlie Boulder and Albany supply areas are still subject to a regulated price cap set by the WA Government.

Public ownership of electricity and water, coupled with a strong regulatory regime means that it is possible to pursue positive social outcomes to ensure equitable and affordable access to utilities that would be impossible to achieve were the provision of these services left subject to the profit-motive alone. Despite this, there are many Western Australian households for whom utility hardship is a lived reality and significant concern.

This report seeks to extend our understanding of the factors and pathways that lead to financial stress and utility hardship. It examines patterns and trends for different groups of households to better identify the risk factors and early signs of hardship, whether current safeguards are providing appropriate support to vulnerable consumers and key factors that contribute to effective hardship policy and practice. It then outlines solutions that could provide early assistance to consumers to reduce hardship and avoid debt.

[1] United Nations, *Sustainable Development Goals*, https://sdgs.un.org/2030agenda

Key Insights

This report utilises a mixed methods approach that includes: (1) qualitative focus group and interview data of financial counsellors, (2) quantitative survey data of Water Corporation customers, and (3) quantitative data sets provided by the Financial Counsellors Network. These provide rich insight into the causes and experiences of utility and financial hardship for Western Australians, and contribute to an understanding of what might constitute effective, consumer-centred solutions.

Six Areas that Make A Difference

The interviews and focus group sessions with financial counsellors identified six cross-cutting areas that they believe have the greatest impact on hardship policy and practice. These areas are:

1. early identification and engagement
2. flexible hardship programs and incentive arrangements
3. organisational culture and training
4. consumer empowerment
5. cross-sector collaboration
6. reducing inequity and improving the capacity of households to pay their bills

Contributors to utility hardship

The customer survey provides insight into the contributors of financial stress and hardship. Natural disasters, losing a job or having a decline in income, and serious illness were the most significant life events that contributed to utility hardship for many respondents. A significant correlation was observable between defaulting on different bill payments. Not being able to pay for electricity was the best predictor of people's ability to pay their water bills, with the best predictor for electricity being unable to pay for water and gas. Being unable to make mortgage repayments was also found to be a strong predictor of utility hardship. Households that cannot access from their savings or raise $4,000 in a week for an emergency are on average 50 per cent more likely to be unable to pay their electricity or water bills than households that could.

Coping mechanisms

Reducing spending on food and groceries was the most common strategy utilised by respondents in order to cope with being unable to pay their utility bills, with 76 per cent of those who were unable to pay their electricity bills and water bills, and 79 per cent of those unable to pay gas bills indicating that this was a strategy they would likely use. This was closely followed by reducing spending on leisure activities. While 60-66 per cent of respondents indicated that they would likely discuss their bill and what options might be available with the utility retailer, between 58-67 per cent of respondents indicated that they would reduce their usage of water, electricity or gas, which may contribute to hidden hardship or impact upon people's health and wellbeing.

Financial hardship

While there is a broad range of people accessing financial counselling services, people in entrenched disadvantage due to persistent low-income, low-waged workers and households, people experiencing an adverse life event, or people with multiple large loans were identified as four key demographic cohorts in financial hardship. Clients of the Financial Counselling Network were found to have higher rates of energy hardship than water hardship, with the prevalence of people citing electricity bills as an issue being twice as much as that of water bills. Alongside financial hardship, mental health and other health issues were found to be the two largest co-occurring issues for financial counselling clients. Employment issues and factors related to domestic violence, parenting and family issues, separation and divorce and child support, were also significant co-occurring issues for financial counselling clients.

Recommendations

The report sets out a series of recommendations for the Commonwealth, State Government and utility retailers to better address and prevent utility hardship, and ensure consumers receive the support that they require in order to meet their utility needs. These recommendations are:

- Increase the rate of JobSeeker and associated payments
- Replace the Energy Assistance Payment with a percentage-based primary energy concession
- Expand eligibility for water concessions to include people who hold a Health Care Card
- Permanently reduce the HUGS payment arrangement requirements, increase the maximum grant limits and extend eligibility
- Consider making the Household Energy Efficiency Scheme permanent
- Provide early and proactive support to prevent hardship occurring
- Take a customer empowerment approach to hardship programs
- Collaborate with financial counsellors to design hardship training for staff
- Develop a household gas transition roadmap and institute a moratorium on all new household connections to existing gas networks
- Introduce minimum energy efficiency standards in rental properties
- Ensure the timely implementation of the *National Construction Code 2022* energy provisions and consider urban heat impacts in planning decisions
- Investigate barriers for tenants with water bills seeking support
- Increase funding for financial counselling services
- Increase funding for and actively promote emergency relief services

Background

Defining Utility Hardship

Utility hardship can be understood as the lack of affordable, reliable and adequate energy and water services. This hardship presents in three intersecting and overlapping forms. These are:

1. Difficulty paying utility bills;
2. Restricting utility usage to the detriment of health and wellbeing; and
3. Having a relatively low income and spending a relatively high proportion of income on utility costs.

The first, which may be the most visible, is the state of not being able to afford to pay the cost of a utility bill. This state can be temporary or persistent but is typically more than just in the immediate-term and extends beyond one billing cycle. This differs from short-term payment difficulties, which may be one-off financial management challenges due to an unexpected event or crisis. This longer-term payment difficulty would be recognised under the *Code of Conduct for the Supply of Electricity to Small Use Customers*, the *Compendium of Gas Customer Licence Obligations*, and the *Water Services Code of Conduct (Customer Service Standards)* as financial hardship. In the context of understanding utility hardship more broadly, it can be more accurately characterised as utility *billing* hardship.

Mounting unpaid bills and resulting disconnections can significantly impact people's health and wellbeing. Impacts include feelings of shame, stress-related illnesses, or making significant sacrifices to pay utility bills, including skipping meals or avoiding heating or cooling. Disconnections can have a range of detrimental impacts for households already struggling with everyday living costs, including loss of food, an inability to bathe or to heat or cool rooms, or to maintain connection with relatives and the wider world, leading to health problems, anxiety and emotional disorders. These debts can also affect household's ability to access affordable credit in future.

Over late 2018 and early 2019, the *100 Families WA* collaborative research project conducted a baseline longitudinal survey with 400 families living in Perth, as part of developing an ongoing evidence base on poverty and social exclusion in Western Australia. The findings of the survey reveal the significant challenges and level of hardship being experienced by Western Australian families living on low-incomes. More than two-thirds of the *100 Families WA Project* family members (67.8 per cent) reported that they could not pay their utility bills on time on at least one occasion during the year, while 23.3 per cent had been unable to heat their homes. 15 per cent said they could not afford to keep at least one room of their house adequately warm when it is cold. [2]

The second way that utility hardship may present itself is when people are restricting their energy and water consumption to the detriment of their health and wellbeing. This can be understood as distinct from utility billing hardship, as these households may pay their bills regularly and on time.

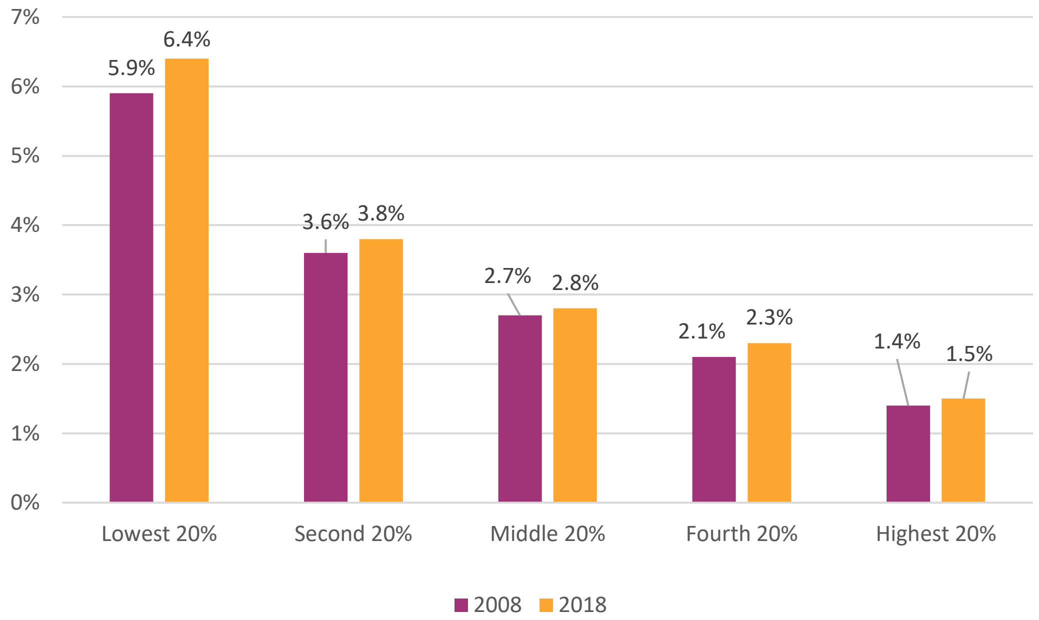
[2] Ami Seivwright and Paul Flatau (2019) *Insights into hardship and disadvantage in Perth, Western Australia: The 100 Families WA Baseline Report.* The 100 Families WA project.

A common form this takes is where households restrict their use of appliances, such as air conditioners or heaters, to regulate temperatures in their homes. Not regulating temperature not only makes a place uncomfortable to live in, but it can lead to serious health effects and higher health care costs, particularly among older people, children and people with chronic illnesses.

Research conducted by the Centre for Urban Research at RMIT highlights the significant risk posed to at-risk households by the increasing prevalence of extreme heat, particularly in our tropical northerly climactic regions. 88 per cent of key informant survey respondents were aware of at-risk clients that do not use air conditioners during heatwaves, and half were aware of clients also not using fans, with electricity costs the main reason. The majority of these informants were aware of households experiencing adverse physical health impacts and/or declining mental health as a result of restricting the use of fans or air conditioning in their homes.[3] This is a critical issue, with 36,000 deaths in Australia associated with high temperatures between 2006 and 2017.[4]

The third form that utility hardship may present itself in is when a person has relatively low income and spends a relatively high proportion of that income on utility costs. Research has demonstrated that low-income households spend a significantly higher percentage of their disposable income on energy bills and have little, if any, capacity to absorb additional costs.[5]

Electricity & gas expenditure as a percentage share of income by disposable income quintiles (Australia-wide)

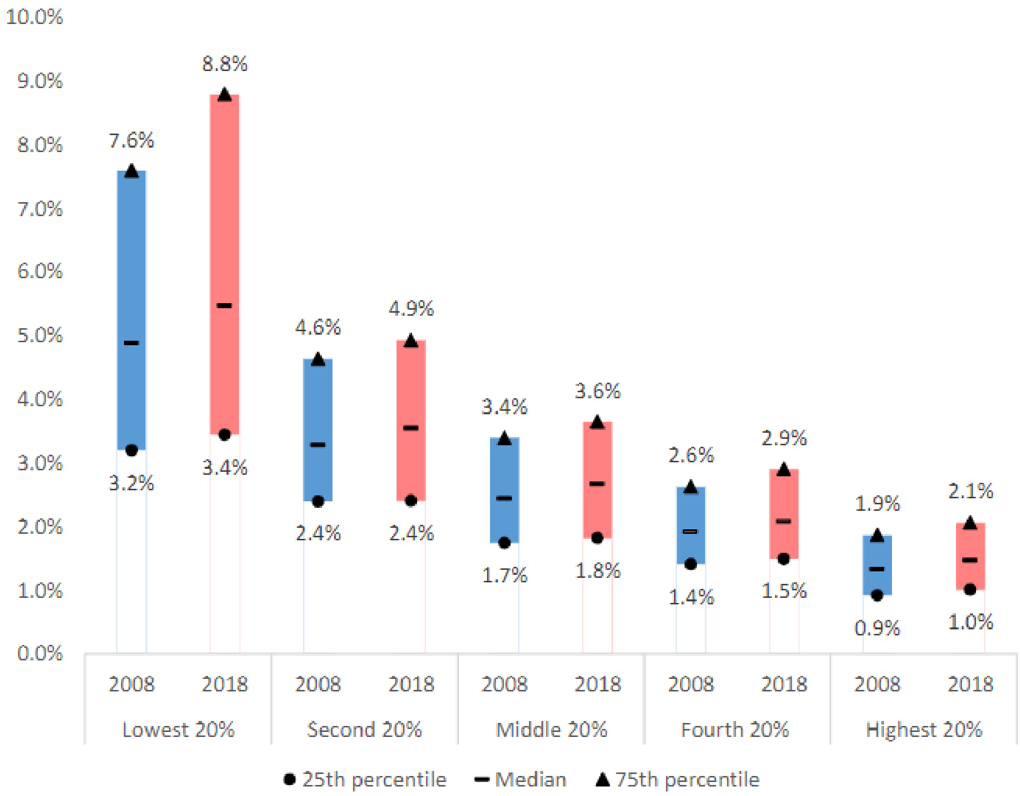


Source: ACOSS and the Brotherhood of St Laurence (2018)

[3] Larissa Nicholls, Halley McCann, Yollande Strengers, Karyn Bosomworth (2017) *Heatwaves, homes and health: Why household vulnerability to extreme heat is an electricity policy issue*, Centre for Urban Research, RMIT University
[4] Thomas Longden (2019) 'The impact of temperature on mortality across different climate zones' *Climatic Change*
[5] ACOSS and the Brotherhood of St Laurence (2018) *Energy Stressed in Australia*

People on the lowest incomes spend on average 6.4 per cent of their income on energy, compared to households in the highest income quintile, who pay only 1.5 per cent on average. When each income quintile is examined more closely, as in the graph below, it can be seen that 25 per cent of the lowest income quintile are spending over 8.8 per cent of their income on energy. [6]

Percentile distribution for electricity and gas expenditure as a percentage of income by disposable income quintiles



Source: ACOSS and the Brotherhood of St Laurence (2018)

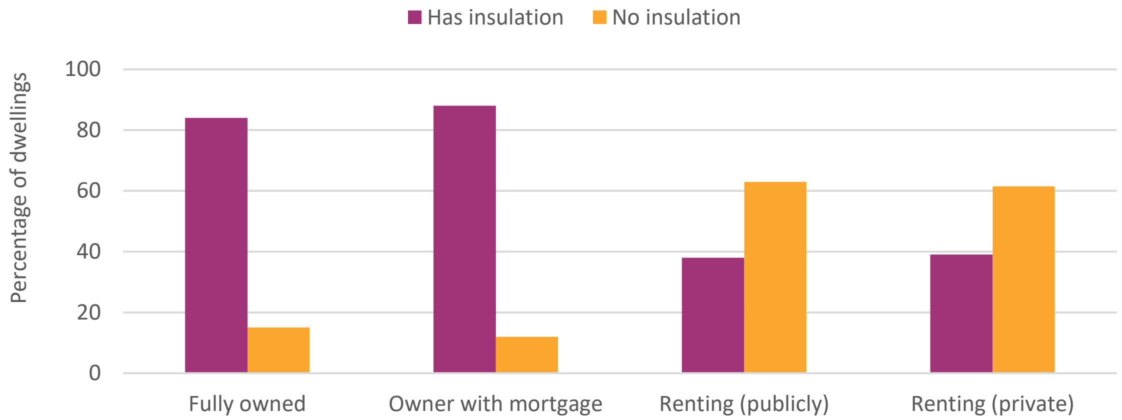
Utility Hardship and Housing Tenure Type

There is a clear relationship between housing quality and utility costs. Home energy inefficiency is a key driver of utility stress and energy poverty for low-income households. Common causes of energy inefficiency are poor house design; little or no insulation; inefficient or faulty built-in heating, cooling and hot water devices; significant draughts caused by structural problems, such as broken windows and window frames, collapsing roofs, and holes in flooring; and a lack of window coverings.[7]

This relationship is particularly evident for people who live in rental housing. For example, the 2016 Bankwest Curtin Economics Centre *Energy Poverty in Western Australia* survey found that rental households were dramatically less likely to be insulated, meaning that those on low incomes were more likely to be using more power to regulate the temperature in their dwelling.[8]

[6] ACOSS and the Brotherhood of St Laurence (2018) *Energy Stressed in Australia*
[7] Make Renting Fair WA (2019) *Minimum Standards*
[8] Bankwest Curtin Economics Centre. (2016). *Energy Poverty in Western Australia: A Comparative Analysis of Drivers and Effects* (Research Report no. 2/16)

Percentage of dwellings with insulation in Perth 2009/10 (per cent)



Source: ABS. Cat. No. 4656-5, BCEC (2016) *Energy Poverty in Western Australia*

Research conducted across Australia by Better Renting during the summer of 2021/22 found that rental properties routinely exceed safe temperate limits. This included indoor temperatures exceeding 30°C for approximately an hour a day and night-time temperatures high enough to impact on sleep around 50 per cent of the time.[9]

Analysis published by the Crawford School of Public Policy at the Australian National University has found that, when controlling for net wealth, people living in rental housing spend approximately 8 per cent more on energy bills than home-owners, equating to approximately $150 extra per year.[10]

The lack of insulation and other energy efficiency measures in rental properties is fundamentally the result of the 'split incentive'; while tenants would benefit from lower energy bills, property owners are responsible for paying for it and are unlikely to see any immediate benefit. In competitive rental markets they may be able to charge higher rents or they may see an improvement to the value of the property when they sell, but neither is guaranteed.

The lack of minimum standards in rental properties puts renters' health and wellbeing at risk. The fear of eviction can deter tenants from seeking repairs from real estate agents and landlords. Low-income renters may be forced to compromise on housing quality due to the very low supply of genuinely affordable rental properties for those on the lowest incomes, as well as discrimination in the rental market.

The Public Interest Advocacy Centre of New South Wales investigated residents who had been or were at risk of having their energy disconnected or water restricted, finding that renters were far more likely to be vulnerable to disconnection. 67 per cent of those who were disconnected, 60 per cent of those who received a notification and 52 per cent of those who had been worried about disconnection were renting, while 32 per cent of all NSW residents were renters.[11]

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[9] Better Renting (2022) *Hot homes: Renter Researchers' experiences of summer 21-22*
[10] Rohan Best and Paul J Burke (2022) *Effects of renting on household energy expenditure: Evidence from Australia*, CCEP Working Paper 2202, Crawford School of Public Policy, The Australian National University
[11] Public Interest Advocacy Centre (2018) *Close to the Edge*

In the case of electricity and gas, tenants have a direct contractual relationship with the service providers. This is not, however, the case for the provision of water, as a result of how the customer of water services is defined in the *Water Services Act 2012*.

The definition is as follows:

> ***customer***, of a licensee, means a person to whom water services are provided by the licensee or who is entitled to the provision of water services by the licensee, other than a person who is a member of the licensee;

with the statutory entitlement to provision of water services by the licence set out in section 73 of the Act:

> (1) The owner of land in respect of which statutory water service charges apply for the provision of a water service by a licensee is entitled to the provision of the water service.

As stated in the Economic Regulation Authority code review, it is considered that tenants without a direct contractual relationship with the licensee (which would be the majority of residential tenants), do not therefore qualify as customers under the *Water Services Act*.[12] As the *Water Services Code of Conduct (Customer Service Standards*) can only apply to customers as defined under the Act, this also means that tenants are not considered customers under the Code.[13]

As such, communications with the utility may be mediated by the landlord, thus creating potential barriers to the access of concessions and hardship arrangements for tenants. Water Corporation has voluntarily extended their financial hardship policies to include tenants, though this still requires prior consent from the land owner. Some tenants may be reluctant to inform landlords that they wish to access concessions or hardship arrangements for fear of discrimination.

'Displaced' Hardship

For most households experiencing utility billing hardship, utility bills are unlikely to be their largest cost burden unless they have accumulated significant utility debt and debt recovery costs. Housing, followed by food and beverages, are consistently the most significant costs facing households on a day-to-day basis.[14] As such, households prioritise these costs, due to their size and critical importance. Maintaining stable housing tenure is crucial to support positive outcomes in health and wellbeing, education and employment. Conversely, insecurity and instability in housing create the circumstances for increased hardship and entrenched disadvantage.

Analysis from the *Low Pay Report 2022*,[15] conducted by WACOSS and Unions WA, reveals that rent and mortgage costs were the highest budget priority for 52 per cent of households with an annual

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[12] ERA (2016) Consultation Paper: 2016-17 Review of the Water Services Code of Conduct (Customer Service Standards) 2013

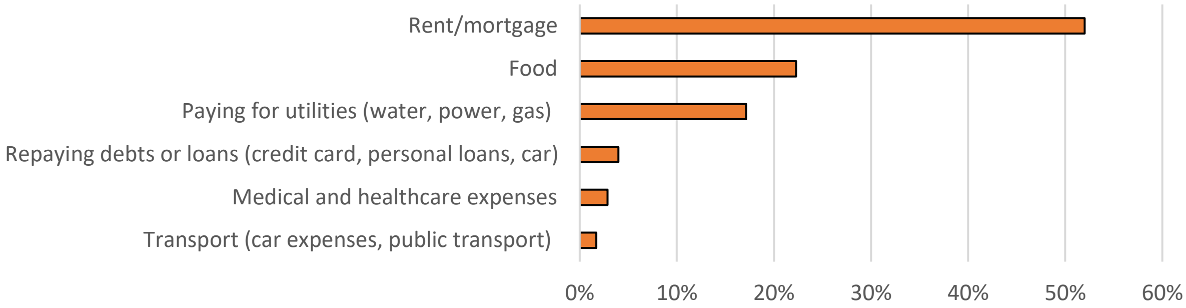
[13] ERA (2018) Final Decision - 2016/17 Review of the Water Services Code of Conduct (Customer Service Standards) 2013

[14] Graham Hansen and Eva Perroni (2021) *Cost of Living Report 2021*, Western Australian Council of Social Service

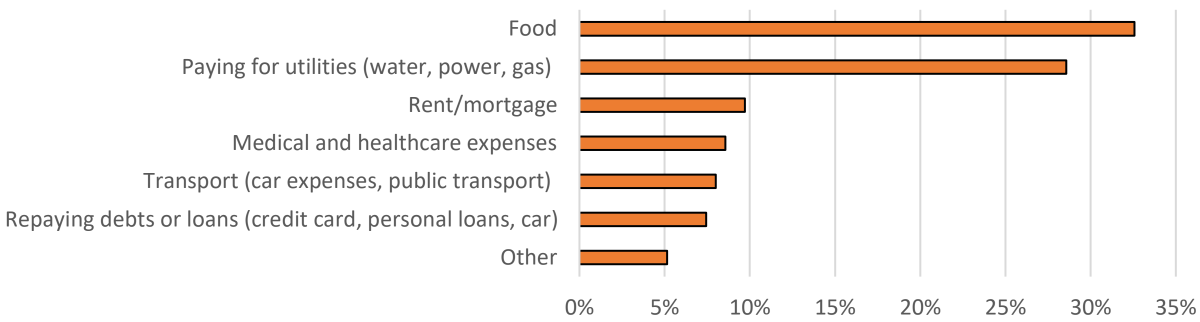
[15] Eva Perroni and Graham Hansen (2022) *Low Pay Report 2022*, Western Australian Council of Social Service and Unions WA

income lower than $52,000, followed by food for 22 per cent. Food was then considered the second highest weekly budget priority for 35 per cent of households with annual income lower than $52,000.

Top weekly budget priority for households with annual income lower than $52,000 (n=175)



Second highest weekly budget priority for households with annual income lower than $52,000 (n=175)



Source: E Perroni and G Hansen (2022)

As households prioritise these budget items first, when housing and food costs increase or their income is reduced, spending in other budget categories may be reduced. Where those costs are difficult or impossible to avoid, as can be the case with utilities, households may be forced to skip payments. This could be recognised as a form of 'displaced' hardship, where the problem is made visible by a household being unable to cover the costs of their utility bill, but is driven by increased costs elsewhere, such as housing.

The lower prioritisation of utility bills should be recognised and understood as rational decision-making by consumers. This is not only due to the essential nature of housing and food, but also because the codified responses and supports from utility retailers mean that utility bills may be the safest place for consumers to shift the risks resulting from not being able to afford essential living costs.

It is important to recognise that not all causes of utility billing hardship are the result of utility usage, and solutions that treat it as an isolated issue are likely to prove ineffective. Solutions that are based on the premise that households lack financial literacy or seek to change consumer behaviour to use utilities more 'efficiently' in those circumstances are unlikely to succeed or may even encourage consumers to under-consume, which has a range of flow-on consequences. When the issue is ultimately a lack of adequate income to cover basic needs, appropriate and effective responses must be tailored accordingly.

Concessions and Support

To maintain a decent quality of life it is critical that households are able to stay connected to essential services, with disconnections and debt accumulation avoided wherever possible. This requires that access to essential services like energy and water is affordable, fair and equitable.

In recognition that some cohorts in our community require more assistance to maintain that connection to essential services, the Western Australian Government provides a series of concessions, rebates and schemes to facilitate access. These operate in conjunction with requirements established under the various consumer codes that set a series of protections and supports that utility retailers must provide to their customers. The publicly-owned retailers, in particular, also provide supports to households in financial hardship that extend beyond what they are required to under the relevant codes.

Utility Concessions and Rebates

Electricity

Name	Concession/Rebate Amount	Eligibility
Energy Assistance Payment	$318.37 per year	• Health Care Card • Pensioner Concession Card • Veteran Affairs Gold Card
Dependent Child Rebate	$334.77 for one child and $87.72 for each additional child per year	• Health Care Card • Pensioner Concession Card • Veteran Affairs Gold Card
Air Conditioning Rebate	$66.68 per eligible month (number of months varies depending on location)	Live north of the 26th Parallel and/or north of the 50 Day Relative Strain Index Line AND EITHER • WA Seniors Card AND Commonwealth Seniors Health Card • WA Seniors Card AND Pensioner Concession Card OR have a dependent child AND • Health Care Card • Pensioner Concession Card • Veteran Affairs Gold Card
Account Establishment Fee Rebate	$35.40 one off fee	• Health Care Card • Pensioner Concession Card • Veteran Affairs Gold Card

Reduced Meter Test Fee	Reduction on meter test fee, with the cost refunded if the meter is found to be faulty	• Health Care Card • Pensioner Concession Card • Veteran Affairs Gold Card
Thermoregulatory Dysfunction Energy Subsidy Scheme	$752 per year	• Health Care Card • Health Care Interim Voucher • Pensioner Concession Card AND • Medical authorisation
Life Support Equipment Energy Subsidy	Varies depending on the life support equipment.	• Health Care Card • Health Care Interim Voucher • Pensioner Concession Card • Veteran Affairs Gold Card AND • Medical authorisation

Water

<table>
<tr><th>Name</th><th>Concession/Rebate Amount</th><th colspan="2">Eligibility</th></tr>
<tr><td>Water Consumption Rebate</td><td>Metro: 50% concession on 150kl of water use per meter reading year

Country North: 50% concession on 600kl of water use per meter reading year

Country South: 50% concession on 400kl of water use per meter reading year</td><td colspan="2">• Pensioner Concession Card
• State Concession Card
AND
• Either own and occupy the property or are the registered tenant responsible for the water use charges for the full period to which the charge relates.</td></tr>
<tr><td rowspan="2">Water Corporation Service Charges Rebate</td><td>50% rebate, capped at a maximum dollar value of $600.</td><td>• Pensioner Concession Card
• State Concession Card
• WA Seniors Card AND Commonwealth Seniors Health Card</td><td rowspan="2">AND
• Owner and occupier of home
• Live in a park home or caravan park
• Live in a retirement or lifestyle village
• Live as a life tenant per a probated will
• A tenant or renter (only if hold a Pension Card)</td></tr>
<tr><td>25% rebate, capped at a maximum dollar value of $100</td><td>• WA Seniors Card</td></tr>
</table>

Hardship Utility Grant Scheme

Utility customers who are experiencing financial hardship across electricity, water and gas, may also be able to access financial assistance through the Hardship Utility Grant Scheme (HUGS). In order to be deemed eligible for HUGS, a customer must have:

- Been identified by the utility provider as unable to pay for a current total account balance;
- Been assessed under the utility provider's hardship policy as being in financial hardship and not payment difficulty;
- Entered into and reasonably comply with a payment arrangement, prior to the HUGS application (the length of time this payment arrangement must last before being eligible for the grant has been temporarily reduced to 90 days from 180 days);
- Engaged with the utility provider and demonstrated responsibility for addressing their outstanding debt; and
- A total outstanding account balance of at least $300.

South of the 26th parallel, the maximum amount that can be accessed under HUGS is $580 and north of the 26th parallel it is $960. The amount is also limited to a maximum of 85 per cent of the amount outstanding as shown on the utility account and is only available to a household once per financial year.[16]

Household Energy Efficiency Scheme

Currently in its pilot-phase, the Household Energy Efficiency Scheme (HEES) is a four-year program that is intended to reduce the energy costs for 10,000 Western Australian households experiencing financial hardship. Announced in December 2020, HEES will seek to assist these households by providing free energy assessments and coaching, as well as energy efficiency kits and appliance upgrades for select households. The scheme is to be delivered in partnership between the State Government, electricity retailers and non-government organisations.[17]

Household Electricity Credit

From 1 November 2020, all Western Australian households received a one-off $600 credit on their residential electricity bill, funded from the Bell Group settlement.[18] The impact of this credit on the electricity bills of households is readily apparent, effectively providing them with a period of free electricity until they had worked through that credit. This payment served to wipe electricity debts for many customers whose debt levels were below $600, while contributing to the reduction of debt levels for those with higher debts. A further one-off $400 electricity credit for every Western Australian household was provided by the State Government from 2 July 2022.[19]

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[16] WA Government, *Hardship Utility Grant Scheme*, www.wa.gov.au/service/community-services/community-support/hardship-utility-grant-scheme

[17] WA Government, *Household Energy Efficiency Scheme,* www.wa.gov.au/government/document-collections/household-energy-efficiency-scheme

[18] Hon Mark McGowan MLA, Hon Ben Wyatt MLA, Hon Bill Johnston MLA (2020) 'Every WA household to receive a $600 electricity bill credit', *Media Statements*, Government of Western Australia

[19] Hon Mark McGowan MLA (2022) 'Strong surplus delivers all WA households a $400 electricity credit', *Media Statements*, Government of Western Australia

Code Requirements

The *Code of Conduct for the Supply of Electricity to Small Use Customers*, the *Compendium of Gas Customer Licence Obligations*, and the *Water Services Code of Conduct (Customer Service Standards)* establish a minimum safety net for utility customers through a series of protections and supports that retailers must provide them. These protections are in recognition that energy and water are essential services that are necessary for people's health and wellbeing. As such, those who are selling access to these essential services have particular obligations they must meet to support their customers in maintaining access to them.

Utility retailers are required under the Codes to offer residential customers who are experiencing payment difficulties or financial hardship:

- additional time to pay a bill; and
- an interest free and fee-free instalment plan under which the residential customer is given additional time to pay a bill or to pay arrears (including any disconnection and reconnection charges) and is permitted to continue consumption.

In developing those payment plans, retailers must consider the customer's capacity to pay and their consumption history, or in the case of water, how much water has previously been supplied or wastewater discharged. They must also, at the customer's request, give reasonable consideration to reducing a customer's fees, charges or debts, or revising how much they are paying under an instalment plan.

Changes currently proposed to the *Code of Conduct for the Supply of Electricity to Small Use Customers* will see the extension of these assistance measures currently offered to customers experiencing payment difficulties or financial hardship to *all* customer who request them. By establishing an unambiguous entitlement to assistance for all residential customers, it is possible to better assist customers to not enter arrears by enabling them to take early action to manage their payments, while ensuring that no customer is denied assistance. It is also proposed to set a minimum bill debt amount of $300 before a residential customer can be disconnected for non-payment. Setting a minimum debt disconnection threshold like this is critical in ensuring that disconnection is only undertaken as a measure of last resort.[20]

The Code also requires that retailers provide their customers the right to pay their bill through Centrepay as a minimum payment method. Centrepay is a free billing service for people who receive income support through Centrelink that enables customers to set up automatic deductions from their income support payments to cover their bills.[21]

Beyond the Code

The Customer Codes only establish the minimum support that retailers are obliged to provide their customers. The publicly-owned retailers, being Water Corporation, Synergy and Horizon Power, are notable for offering forms of support that extend beyond what the Code requires of them.

[20] *Draft Code of Conduct for the Supply of Electricity to Small Use Customers 2022*
[21] Services Australia, *What Centrepay Is*, www.servicesaustralia.gov.au/what-centrepay

In conjunction with its Code obligations, Water Corporation also provides the following programs to assist customers in financial hardship:

- *Time Assist* – accounts are placed on hold for three months to support customers when their circumstances unexpectedly change;
- *Water Assist* – a regular, interest-free payment arrangement where Water Corporation matches any payment made by the customer. The customer must have an overdue amount over $750 and under $5,000, and have been assessed by a financial counsellor; and
- *Start Over* – a program for customers with an overdue balance greater than $5,000. If they are able to make all their payments, Water Corporation matches the value of these payments as credit on their account. If they are able to continue making their payments for a second year, their entire outstanding balance is waived.[22]

Synergy provides extra support for customers in long-term or severe financial hardship through their *Keeping Connected* program and dedicated case managers. This program is designed to provide tailored assistance for customers through guidance on managing bills, providing incentives to meet payments, and advice on reducing electricity use.[23] Similarly, Horizon Power's Customer Relationship Officers, based in regional locations, work with customers to tailor payment arrangements and support for their specific circumstances.[24]

Community Services

Many community services, such as emergency relief providers, community legal centres and financial counsellors, provide services to support people experiencing utility hardship. Financial counselling is a free and independent service to assist people who are experiencing financial difficulty, including where they are unable to pay their utility bills. A qualified financial counsellor will work through a person's weekly household income and expenditure with them to provide expert advice on how to tackle their financial challenges, producing a weekly budget. Financial counsellors may be able to contact their clients' creditors to halt or defer debt-recovery proceedings, negotiate debt waivers or reductions, and put in place a payment plan. They may also be able to provide access or referrals to emergency relief in the form of charitable donations or food parcels to help them through an immediate crisis.

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[22] Water Corporation, *Help with Paying your Bill*, www.watercorporation.com.au/Help-and-advice/Bill-and-account/Billing/Help-with-paying-your-bill

[23] Synergy, *Financial Hardship Support*, www.synergy.net.au/Your-home/Manage-account/Need-help-with-your-bill/Financial-hardship-support

[24] Horizon Power, *Get Financial Assistance*, www.horizonpower.com.au/for-home/managing-your-account/get-financial-assistance

Research Design and Methods

The purpose of this report is to further the understanding of the causes and consequences of utility hardship experienced by Western Australians and set out clear customer-centred solutions to address utility hardship.

This report utilised a mixed methods approach, combining existing quantitative data sets with new qualitative and quantitative research to extend the breadth of data and include a diversity of views to enhance the integrity of findings. The study has three main components: (1) qualitative focus group and interview data of financial counsellors, (2) quantitative survey data of Water Corporation customers, and (3) quantitative data sets provided by the Financial Counsellors Network.

Financial Counselling Data Sets

As part of their service delivery reporting requirements, the Financial Counselling Network[25] captures a range of information on people accessing their services.

This includes a person's demographic information, main source of income, gross household income, labour status, housing tenure, type/s of financial counselling issue (such as debt, mortgage or spending issues), type/s of co-occurring issue (such as alcohol and/or substance abuse, health related issues or homelessness), other service referrals, and reasons for hardship.

The Financial Counselling Network shared their data collected between 1 January 2021 and 18 May 2022, with datasets ranging between 3,733 and 7,001 clients.

Analysis of financial counselling datasets was conducted by BCEC to obtain a more complete understanding of utility and financial hardship. The Financial Counselling Network only represents 14 out of 48 financial counselling services across the state, all of which are based in the metropolitan area. The insights gleaned from this data will therefore be limited to a subset of financial counselling services and their clients, and does not give an indication of how financial hardship presents in regional or remote areas of Western Australia.

Focus groups and interviews

WACOSS conducted qualitative research via in-depth interviews and focus groups with 13 financial counsellors across Western Australia, with 11 participants based in metropolitan areas and 2 participants based regionally. Participants were recruited through an expression of interest sent via the WACOSS and Financial Counsellor Association of Western Australia[26] mailing lists.

Interviews and focus group sessions were conducted online between 14 and 29 March, 2022. Interviews were approximately 30 minutes in length and focus group sessions approximately 90 minutes. The research design and development of interview questions were undertaken by representatives from WACOSS, Water Corporation and BCEC. Thematic analysis of qualitative results was undertaken by WACOSS. Given the low proportion of financial counsellors from regional areas

[25] Financial Counselling Network is a partnership of not-for-profit community service organisations and local government across the Perth metropolitan region. They collectively operate the HUGS Service Centre and the Emergency Relief and Food Access Service, www.financialcounsellingnetwork.org.au/

[26] Financial Counsellor's Association of Western Australia, www.fcawa.org

participating, findings from the focus groups and interviews predominantly relate to the Perth metropolitan region.

Customer Survey

A total of 23 questions were co-developed by the WACOSS, Water Corporation and BCEC project team to fulfil the following survey objectives:

1. To understand best approaches to help different customer groups exit hardship
2. Identify coping mechanisms of those in hardship vs at risk of entering hardship
3. To understand profiles of who's in hardship and those most at risk of hardship
4. Identify any locational disadvantage by utilities and financial hardship (via geo mapping)
5. To understand any relationship between utility and other essential expenses

The survey was distributed to 5278 Water Corporation customers with a total of 470 responses, or a response rate of 8.9 per cent. Participants were incentivised with a chance to win one of five $50 e-gift cards to complete the survey. To understand the coping mechanisms used by customers experiencing utility hardship and best approaches for support, a targeted sampling method was used, with the survey being distributed to the three following Water Corporation customer groups:

Sample groups	Sample (%)	Respondents (n)
Group 1: Currently in hardship programs / was in hardship in last 12 months	23.8	112
Group 2: At risk of hardship, as determined by Water Corporation propensity modelling	26.5	125
Group 3: No risk of hardship, as determined by Water Corporation propensity modelling	49.5	233
Total	100	470

A data driven approach was used to proactively identify customers who may be experiencing financial hardship, representing the 'hardship' segment of customers surveyed. During the training phase, a machine learning model was shown a range of customer behavioural attributes, including water consumption, payment behaviours and overdue debt patterns, for customers that have historically entered Water Corporation hardship programs. This trained and tuned model was then used to identify 'look-alike' customers that may be experiencing financial hardship, but that have not yet entered a Water Corporation hardship program.

Survey Limitations

As a result of the nature of water billing arrangements, discussed on page 9, survey respondents are significantly more likely to be home-owners than tenants. Due to the targeted sampling, results are skewed for groups one and two. Being a unique customer base of Water Corporation, that is, customers currently in hardship programs or identified as being at risk of hardship, they demonstrate much higher rates of financial stress and inability to pay their water bills than group three (no risk of hardship) or the general population. They are also more likely to have water stress front of mind when taking the survey, and may believe the survey to be an avenue to directly raise their water concerns with Water Corporation. Analysis of survey data was conducted by BCEC.

Insights from Financial Counsellors

Financial counsellors have direct, day-to-day knowledge of the consumer experience in relation to financial and utility hardship. They have specific knowledge about the credit, bankruptcy and debt collection laws, concession frameworks and industry hardship practices. Financial counsellors provide free, independent, and non-judgemental support and advice to people who are struggling with their finances and debt.

> "Unlike a mortgage broker or financial adviser, a **financial counsellor doesn't tell somebody what they need to do**. We provide suitable and appropriate options for clients to consider to take on board and then apply the most appropriate to their particular circumstances. As part of that process, **we always try and encourage people to self-advocate**."

Financial counsellors were asked about the range of clients that access their financial counselling services, their experience in supporting clients through utility hardship programs, examples of positive and negative outcomes, recommendations to improve utility hardship programs, the impact of COVID-19, and what in their experience are the most successful strategies to assist a client to exit financial hardship.

This section presents key findings from the interviews and focus group sessions as well as direct quotes from participants. It provides an in-depth view of the breath of financial hardship, as well as presenting the six areas identified in the interviews and sessions as those that make the greatest impact on hardship policy and practice, across government and industry.

The Breadth of Financial Hardship in Western Australia

Financial counsellors described a broad range of clients experiencing the difficulties of financial hardship, denoting that there is no 'typical' client. The cumulative economic and social impacts of COVID-19 together with rapidly rising living costs and increasing household debt have created an environment in which financial hardship can affect almost anyone. Although individuals and families who are on low incomes are particularly vulnerable to economic shocks and are at greater risk of financial stress hardship, those on average and higher incomes are also susceptible.

> "We have a broad range of people who access our services, **ranging from people experiencing generational poverty to CEOs of large organisations**."

> "**Range from clients on Centrelink unable to afford anything, through to miners selling houses** whose prices have gone down, negotiating with banks on them selling or handing the house back, and everything in between."

Counsellors identified four key demographic cohorts that primarily access their services:

1. **People in entrenched disadvantage due to persistent low-income.** People reliant on income support payments or pensions, such as JobSeeker or the Disability Support Pension, as their main source of income are most likely to be in severe financial hardship. Financial counsellors highlighted how the current rate of payment, particularly for JobSeeker, was inadequate to cover the basic costs of living and impeded income support recipients' ability to move out of financial hardship.

> " **Most likely they're on JobSeeker or another pension and in private rental** – that combination is the killer."

> " Clients on income support - **there's not enough money to live on**, lots of research to support this. Very rare they can cover their [utility] usage even when being frugal."

2. **Low-waged workers and households**. Workers who rely entirely on low wages to cover basic living expenses for themselves or their families are becoming increasingly vulnerable to persistent financial hardship. Financial counsellors noted how sharp increases in the cost of living, particularly rent, food and fuel, are straining low-waged workers' already tight finances, contributing to especially acute feelings of financial stress. People who are underemployed, single parent households or low-waged households with children are at greater risk of financial hardship.

> " [With] the cost-of-living increases, **your two-income households are struggling now**. Before, you used to think two working people could reasonably cover expenses, now **it is just so unaffordable**."

3. **People who have experienced a sudden change of circumstances or an adverse life event**. This may include unemployment, illness, relationship breakdown or experience of family and domestic violence. Financial counsellors highlighted how anyone in the general population can be exposed to adverse life events that negatively impact upon their financial wellbeing. Cumulative counts of events, such as unemployment and illness or disability, can result in greater financial hardship, making it harder for people to exit.

> " Hardship used to [affect] predominantly low-income earners, but now we are seeing **anyone can go through periods of hardship**, with COVID, underemployment, a member of the household gets sick who might be the main

income earner, or a relationship breaks down. **Hardship can look very different**, it could be lack of income or an actual event [that] puts someone into hardship."

4. **People on adequate incomes who are overleveraged or have difficulty changing their spending habits.** This may include high income earning individuals who have accrued debt across multiple loans (such as credit cards, personal loans, buy now pay later, payday loans, car loans or home loans) and are having difficulty paying outstanding loans and accruing interest. Or it may include individuals experiencing difficulties limiting their spending habits or with high-cost addictive behaviours, such as gambling or smoking.

> "We see some people in hardship who are **earning a good income but are over committed**; loans from creditors that they shouldn't have, accessing payday loans where there isn't a lot of regulation, which can lead to their repayments being more than their earnings."

While financial counsellors stressed that anyone can enter financial hardship due to a change in circumstance and may only require temporary assistance, others may face a range of stressors and will instead require ongoing support over a longer period. These groups may include: Aboriginal and Torres Strait Islander people, culturally and linguistically diverse people and recently arrived migrants who are unaware of their rights under the credit law and of the financial services and programs available, people with low financial literacy, single-parent households, people with a disability, people with mental health conditions, and women experiencing or escaping domestic violence.

The Impact of COVID-19

Financial counsellors reported that the financial and social impacts of COVID-19 created new cohorts experiencing hardship that required financial assistance. This included people who had lost full-time or well-paid jobs during lockdowns and re-entered the workforce in newly-created casual or part-time jobs, typically with lesser hours, security and pay, or people who have struggled to re-enter the workforce at all. Many of these new cohorts were navigating welfare or emergency relief services for the first time, may have been unfamiliar with the types of support available to them, face difficulties in accessing services, or are hesitant to engage with services due to a sense of stigma or shame.

> "There was definitely an increase in clients who had never been on Centrelink or never not worked, didn't know how to navigate services, never had to get help before, and so **there was a lot more people who had no idea what was out there and what was available to support them**, and also the sense of shame that goes with that."

Financial counsellors noted an unevenness in the recovery from COVID-19 economic impacts and job losses and that many Western Australians, particularly in lower-paid occupations or on income support, are struggling to meet their household's basic needs. Financial counsellors highlighted how workers who rely entirely or substantially on low wages or income support to cover basic living expenses for themselves or their families may be vulnerable to persistent financial hardship, particularly as the prices of rent, food, fuel and utilities rise at unaffordable rates.

> "**The financial counselling clients are really seeking emergency relief**. There's an increase in referrals to ER. A lot of pensioners with high utilities. Rent arrears, evictions and people facing homelessness is big, with all [of their] avenues exhausted."

Financial counsellors also commented that they were now seeing clients with higher average utility debts and expressed concern that some retailers lacked mechanisms to engage with their customers that did not rely on the threat of disconnection. Financial counsellors stressed the critical need to keep people connected to utilities at home and for measures that protect vulnerable consumers who are living with financial or housing insecurity. To achieve this, they highlighted a need for more tailored solutions for people on low-incomes to avoid increased hardship.

Comparisons between utility providers and hardship programs

Financial counsellors were asked to reflect upon the difference between utility hardship programs, for example between water, electricity or gas, and how they compare to one another. They noted a distinction between publicly-owned and privately-owned utility companies and how they differed in services offered and approach to customers in hardship. Financial counsellors highlighted how publicly-owned utilities, such as water and electricity, often reduce the amount of the outstanding debt for a hardship customer if they maintain a payment plan, as well as engage in case management techniques where cases are assessed on an individual basis by a dedicated case manager. Counsellors also noted that Water Corporation and Synergy have developed a strong relationship with the financial counselling sector, allowing them to adjust and tailor their hardship programs and approaches with clients.

> "Successful programs are Water Corp's Water Assist and Start Over program. I think they really reward clients for engaging in the long-term with the program. I think that Synergy has come a long way…Fresh Start is incredible, but more importantly their case management program is a real step forward in that it provides flexibility and also helps clients get to know workers in Synergy when they have a single case manager. It really does a lot to overcome the stigma of speaking to utility providers.
>
> **I think the gas companies have had any easy pass**. Most of them are fairly flexible in terms of lower payment arrangements. They are also generally lower

bills. And I think people are more inclined to let their gas be cut off than their electricity, so there's less urgency with gas. But **I can't say that I've seen an example of a stellar hardship program from any of the gas companies.**

Counsellors noted how privately-owned utilities, such as gas companies, may offer alternate payment options such as bill smoothing, but do not offer other forms of financial incentives, such as debt waivers or matched payments to support customers in hardship.

> " I think **Water Corp and Synergy get top marks from me.** I guess they can do it because they are connected to the government. Whereas I try to ask [gas company] or some of the other providers if they will be as good, and they reply that they're a business."

A financial counsellor noted that gas hardship may be hidden or overlooked in regional areas where customers purchase gas cylinders for their homes. As these customers do not purchase cylinders directly from gas companies and do not receive bills, they may turn to emergency relief providers in order to receive financial assistance for the costs associated with gas cylinders.

> " **Some people can't afford to swap out** so might get emergency relief from a provider in order to pay for it."

Six Areas That Can Make A Difference

1. Early identification and engagement

Financial counsellors reported that early identification and support often generate the best outcome for both retailers and the consumer. Early, proactive, retailer-led identification of consumers in need of assistance is critical in supporting individuals and households manage financial hardship before it escalates into unmanageable debt.

Financial counsellors provided examples of financial hardship indicators that may indicate a person requires financial assistance and support, including:

- A payment history that indicates difficulty paying their account in the past, including missed or irregular payments;
- Eligibility for Government funded concessions, such as a Health Care Card or Centrelink benefit;
- Receipt of an unusually large bill, particularly energy bills
- Inability to afford the costs of current usage and debt, even if on a hardship program
- Individuals or families moving house, as the costs of moving can quickly escalate

- Individuals or families in social housing
- Individuals accessing low-cost food centres, food banks, emergency relief, or disengaging with services.

Financial counsellors suggested that successful early identification involves retailers pro-actively contacting customers who they believe may be experiencing or at risk of hardship, as well as active promotion of, and appropriate communication about, financial hardship policies and programs. Counsellors offered a number of suggestions to factor into retailers' early intervention strategies, including:

- Proactive case management soon after default or late payments to stop debt from accruing.

> "For the utility providers, or various other creditors, if a payment is missed, and then you miss another payment, really early, don't let it go on three or four times before you contact them. **Be proactive and encourage them to see a financial counsellor**, especially if they indicate job loss."

- Better company promotion of hardship assistance, through ensuring information and resources on hardship programs are easily accessible, while considering the barriers some people may have in accessing digital information.

> "The programs in place are really good and effective, once people know about them… For example, you might have to bore right through to the website's core to find any information about the program. **They should make that information a lot more readily accessible** – especially the private sector guys – to access that service. **It should be front and centre on their website**, rather than having to go through a certain number of subfolders in order to get the information you need."

> "**A lot of organisations have assumptions of their clients**: that they have access to devices, that they actually understand processes, that they understand how to deal with corporate organisations, and they don't."

- Better company promotion of government assistance available to people experiencing hardship.

> "I think **HUGS could be better promoted to make it more well-known**. Often, clients are surprised that the government will support them with $580. I don't know if the utility providers could provide information about

HUGS as part of their welcome pack to encourage people to go on payment plans."

- Encouraging consumers to engage with financial counsellors as early as possible.

> "The **timing of engaging with a financial counsellor is one that is most important, the earlier the better**. One, it will open lines of communication between organisation and client. It can bring a sense of calm to the client so they will be aware of options they probably weren't aware of before, so they don't shut down because a lot of people feel so overwhelmed. **There might be so many other things going on in the background, that the financial counsellor will be able to unpack** the situation with the client. The utility [hardship] might be one small thing in a whole range of issues that the financial counsellor can also assist with. Also, there are referral pathways and networks to community services and emergency relief, **it's the whole support system the client gets to engage with**."

- Ensuring financial counselling information is widely available and more easily accessible, particularly on retailers' websites and bills.

Financial counsellors also provided suggestions for additional early intervention points and strategies at State and Federal Government levels. These include:

- Providing information about financial counselling services to those applying for Centrelink income support payments.

> "**If you register for JobSeeker, you should be sent an information pack about financial counsellors** just to have that initial briefing about what difficulties they may face, here are your rights under the credit law and what you can do for this, that and the other. Here are the programs you need to be aware of. I think **preparation is really key**."

- Tailored approaches to education and consumer empowerment, ensuring it is accessible for all populations and available in a wide range of settings.

> "**There should be information about financial counselling available at all services** – mental health services, health services, etc. so that people are aware of free financial counselling services."

- Increase funding to financial counselling services for active promotion and awareness raising.

> **“ There’s no funding for raising awareness** [about financial counsellor services] apart from word of mouth, or whatever an agency can develop. Even at a national level, we tried to get a similar Financial Counselling number advertised like they do with LifeLine or Gambling Helplines when there is a story about hardship [in the media].”

2. Flexible hardship programs and incentive arrangements

Financial counsellors recommended that retailer financial hardship policies offer responses that can be tailored to meet different circumstance and the repayment capacity of individuals, given the range of circumstances in which a person may find themselves in financial hardship. Retailer financial hardship policies should ensure that tailored responses are commensurate with matters such as the degree of vulnerability and a person’s capacity to meet their financial obligations. This includes taking steps to ensure customers are only offered repayment options and ongoing services that they can afford.

> “ It’s just really important to acknowledge that there really are **two categories of clients in financial hardship** – there are clients who are medium- to long-term are surviving on Centrelink which is not enough when it comes to the cost of living and the increased cost of utilities. And then there are clients who, with temporary support, will get back on track. And so**, the measures that are in place for those two groups of clients may not look the same**.”

Financial counsellors were asked to provide specific examples of utility financial hardship arrangements that had and had not worked well for their clients. Examples of what works well and generates positive outcomes for people, include:

- Hardship programs that include waivers or partial waivers of debts, particularly in circumstances where individuals and households may be experiencing entrenched disadvantage or family and domestic violence.

> “ **Talk with the client, ask the client what can they afford to pay**. Be more flexible. Acknowledge and respect that there are clients who are doing it really tough out there and cannot afford to pay down their debts because they are on low, restricted incomes.”

> “If you can reduce the debt down, depending on their circumstances, FDV, homeless, alcohol dependence etc., often you can get some of the debt waived to make the overall debt smaller, and **if you can set up a payment plan to work on what’s left, that’s probably the most successful strategy**.”

- Incentives such as matched or partial matched payments.

> “The client sees an additional bonus from willingly trying to pay down their bill, so **that incentivises the client to maintain that payment**.”

> “[Some retailers] have some good programs with good incentives whereby they reach out to the clients [and] provide incentive to clients who adhere to payment arrangements. **It gives the clients an opportunity to think there’s an end in sight** and they do have the possibility to pay that debt and start again.”

- Availability of bill smoothing, which involves spreading the estimated total cost of a customer’s energy bills for the next year across equal monthly or fortnightly instalments.

> “If electricity had bill smoothing or PAYG as a standard process, that would be a key factor in reducing hardship in their area and making sure bills get paid. **Even with a tight budget, if they can pay ahead, if they pay too much, they've got credit, if they pay too little, they've got a smaller bill to pay**. So that would make things easier for clients. [Some retailers] already do that, and it's been very successful.”

- Offering a flexible payment plan, with viable, proportionate repayment amounts for those on low or restricted incomes.

> “With the creditors, I’ve had a couple of successes recently of getting payment arrangements as low as $5 a fortnight. The client acknowledges that they have the debt, and **they’re more than happy to pay the debt, but are not prepared to go hungry while they do it**.”

Conversely, financial counsellors highlighted what aspects of hardship programs result in negative outcomes for their clients. These include:

- Inflexible processes and lack of individualised solutions.

> “Then there are things **where there are artificial restrictions within the financial program**…You have to pay usage plus $25-50 and you have to repay the debt within a certain period of time. Where if for whatever circumstance, if the debt is too high, or the amount can't fit into their budget, **the client is being set up to fail**. And they are going to fail.”

- Large debt accumulation prior to offering assistance.

> “I often get annoyed when a client attends with a $4-5000 energy bill and it’s not in their budget to pay down – **why was the debt allowed to accumulate by thousands?** In this case it’s up to the utility provider who has allowed this debt to accumulate to walk through the solutions with the client.”

- Selling off customer debt to debt collection agencies.

> “**With the private companies, once it gets to a certain level they sell that debt off**, or put it into the hands of the debt collector, which then becomes problematic, because there’s really no room to negotiate a debt waiver, especially if the debt collection agency has bought the debt.”

- Lack of proactive action on behalf of the retailer.

> “It was up to the clients to contact them which incites fear or shame, which prevents people from contacting them, but **a lot of times we see people just don’t have the credit to make that call** and then that is knocking them off their payment arrangements.”

3. Organisational culture and training

Financial counsellors emphasised that responding effectively to financial hardship requires a whole of organisation effort, with strong leadership, well-trained staff, and regular reviews of financial hardship arrangements. Financial counsellors recommended that retailers work with the financial counselling sector and relevant community groups to develop appropriate training for staff. Training packages could address key cultural and social issues for significant customer groups and help staff develop communication skills for engaging with customers in financial hardship. The training may help staff recognise that financial hardship can be a result of a range of circumstances, and provide them with the skills and tools to assist consumers experiencing financial hardship in the most appropriate, empathetic way. This may include training in identifying unconscious bias, effective retailer-customer communications, or tools to manage their own wellbeing and stress levels when dealing with challenging and potentially confronting situations.

> “The organisations themselves understanding hardship and what it looks like, taking ownership of their policies and procedures, **the culture of the organisation and attitudes and language towards clients in hardship**, whether that fosters relationships or builds barriers to an outcome.”

> “**Better customer care and in-house training for staff**, particularly around the intersections of hardship and other forms of disadvantage.”

Language was an important element identified by financial counsellors. Terminology such as ‘vulnerability’ or even ‘hardship’ can be alienating for consumers, especially where consumers are required to self-identify or seek out supports. This language can itself create barriers to supports where consumers do not identify with these labels and may experience shame and embarrassment, especially those experiencing payment difficulty for the first time.

> “**Reframing how it is said to the client**. Rather than ‘you have to see a financial counsellor before we can put you back on a payment plan’, to something like ‘we’re concerned that we’re missing a piece of the puzzle here, and we would like you to go to someone independent who can check that the amount that we’re looking at charging is actually going to be ok.’ **The messaging around it needs to change**.”

4. Consumer empowerment

Financial counsellors identified a range of measures that centre around consumer empowerment, highlighting elements such as consumer education, choice and dignity. Consumer empowerment should be viewed as a long-term process and a cross-sector responsibility of government, retailers, financial counsellors and community organisations.

Examples of empowering consumers included:

- Improving access to information and consumers' ability to assess it, such as the ability to understand bills or concessions.

> "Reaching out to the **aged population**, and **disability and mental health sectors**, as well as people with **non-English speaking backgrounds, CaLD people**. They have little to no idea about concessions, rebates, how anything about their bills work."

- Improving consumers' understandings of their own usage and associated behaviours.

> "Some clients plan to obtain HUGS every year, but they don't think about how they use their power. For those clients, **educational programs are needed on how to manage their usage**, how to save their power."

- Enabling consumer choice with payment arrangements that best suit their circumstances.

> "**The best ways to help a client exit hardship, is when we are able to keep the client as the expert in their own journey**, and they can determine what will work best for them."

- Reducing the need for a customer to repeat their story.

> "The client knows their situation and they come and tell us and we repeat exactly what the client has already said to the utility. **We don't change the script, it's the client's story**. So, take that at face value and work with that."

- Acknowledging and working with consumers to reduce multiple debts.

> "**Snowballing we found is really effective in clearing the smaller debts**, all the debts that will give you the most cash flow first. A lot of creditors have been good in stopping interest or repayments while clients are progressing, particularly if they can demonstrate progress."

- Improving a person's financial management skills.

> “Breaking everything down to fortnightly or whenever they get paid [so] it reduces bill shock. Showing renters how to prepare for mortgages. Follow where they are spending money on. **Basic educational foundation on budgeting, expenditures, breaking down payments to align to income**.”

5. Cross-sector collaboration

Financial counsellors stated that building stronger, trusted relationships across utility and financial counselling sectors is vital to developing appropriate, consumer-focused solutions and improved outcomes. Collaborating with community service organisations allows retailers to gain valuable insights on how to best support customers experiencing financial hardship, improve engagement, and implement policy, program or training measures that are effective and respectful.

> “Some organisations are better than others. **Water Corporation and Synergy are frontrunners because they do have a strong relationship with the sector and they are committed to making change**. For example, Water Corporation has liaised with FCAWA about the tone of their communications – that's brilliant. Those things can make a big difference to the client and their receptiveness and willingness to engage with the provider.”

> “As a sector, **we would suggest really thinking about the situation of the client, what is the appropriate pathway and outcome for them**. It's not just debt waivers all the time, it is looking at the bigger picture, which the creditor may not be aware of. Maybe **more work between our sector and organisations as to understanding the different types of the clients** – the ones we have to have a more reactive approach with, and others that do have access and opportunity to engage with the provider, and maybe those two groups are dealt with a little bit differently. So, your hardship program might have a discretionary aspect to it.”

> “I know that with advocacy, it is usually information drawn from the financial counselling sector. It would be really great to have the opinions of the utility providers. **They could test their approaches with us to see if it's feasible or not**. It kind of feels like the solutions are just coming from us.”

"It should be a done deal, if we contact the utilities, that our assessment is true and just. Why should a client repeat themselves again? **We're trained to do assessments; we don't need staff to question us what's necessary for the client**. Not all clients are the same – it could be a single mother with six children, a father with a gambling problem, a person who has a drug problem. We listen to all of their circumstances before putting in an application."

Of concern were comments by financial counsellors that some retailers were not offering Centrepay as an option for repayments for people who wish to use it, and that Centrepay is not consistently promoted. There were also several calls for Centrepay to be promoted to eligible customers before they find themselves experiencing financial hardship.

"It would be good if utility providers could work with Centrelink so that when people ring up to set up their utility account, the utility provider can ask whether they would like to set that up through Centrepay. **Then people that are on Centrelink-centric or fixed income know that that payment is already taken care of**, and they enter into a payment arrangement straight off the bat."

"**Some of the energy companies don't offer repayments through Centrepay,** which is directly linked to Centrelink. That is often a good process, because that allows payments to be made before any money is received; and it certainly helps in instances of domestic violence or coercive control."

"People don't realise they have to set up all of their repayment plans through Centrepay. That was putting people behind on their utility bills. **We need to have something from Services Australia when they're notified that [when] they're not going to be paid, that their repayments are going on pause**."

Financial counsellors also suggested that links between retailers and other government services need to be strengthened, to help improve outcomes for consumers.

"As a financial counsellor, it's about **having a toolkit of resources and good referral resources and pathways** as well for clients."

6. Reducing inequity and improving the capacity of households to pay their bills

Financial counsellors reported the untenable situations people on low-incomes face, given increases in housing, energy, and other basic cost-of-living expenses. For people on persistent low incomes, financial counsellors highlighted how targeted social policy measures are needed to reduce poverty and inequality. Financial counsellors stressed that there is a real need to lift the safety net of social security payments in Australia in line with the increasing costs of living, particularly housing affordability. Some identified that a person's capacity to pay is directly linked to housing, with housing costs having a direct impact on the affordability of all other costs.

> “The first thing I'd say is 'Raise the Rate' because **there is just not enough money for people to live on unemployment benefits**, let alone look for work.”

> “There are so many external factors that are impacting on clients. **Centrelink needs to increase. Rent assistance needs to increase.** There's a whole raft of things impacting our clients and making them unable to pay their utility bills.”

> “**Affordable and public housing is the most important solution for people on low incomes living in private rentals**. We have clients in public housing who have utility debts - **their problem is almost always solvable if their rent was affordable**. We find that utility bills probably come to about half of their rental costs.”

Some counsellors identified opportunities to improve and or create new government programs to assist low-income households upgrade to more efficient appliances or transition to solar power.

> “Could the money granted through HUGS be utilised for other things, for example **fixing and replacing inefficient appliances**, or a new program to address this. This will help households reduce their power usage.”

> “The other option is for the government to **help households [in public housing] install solar power** to receive a certain amount of power each day.”

> There was a program in New South Wales that **tested usage of appliances, swapped old fridge or tv for new one** and you only pay half, reducing electricity costs. Lot of uptake and success with that program."

Others mentioned that existing government programs or various payment methods for government fees and charges can result in higher prices for those on lower incomes and exacerbate disadvantage.

> One thing I know in regards to rates, if you pay upfront, say for example [my local council], I get a discount, I go into a draw, I could win a car. **But if I'm a low-income earner, I get a levy put on an instalment, and I'm punished for not being able to pay everything up front**. What consideration is there? Because percentage, if you look at cost to income ratio, that person's bill is a high percentage of their income. They're actually paying a lot more than someone on a high wage for their utility."

> The **cashless debit card program**, typically our First Nations peoples are forced to join. Whilst they can apply to exit the program, in my experience that process is arduous and not successful and often the individual returns to community because living under these programs in the metro area, anywhere really as I believe **it is a cruel and draconic program,** becomes too difficult."

Survey Analysis

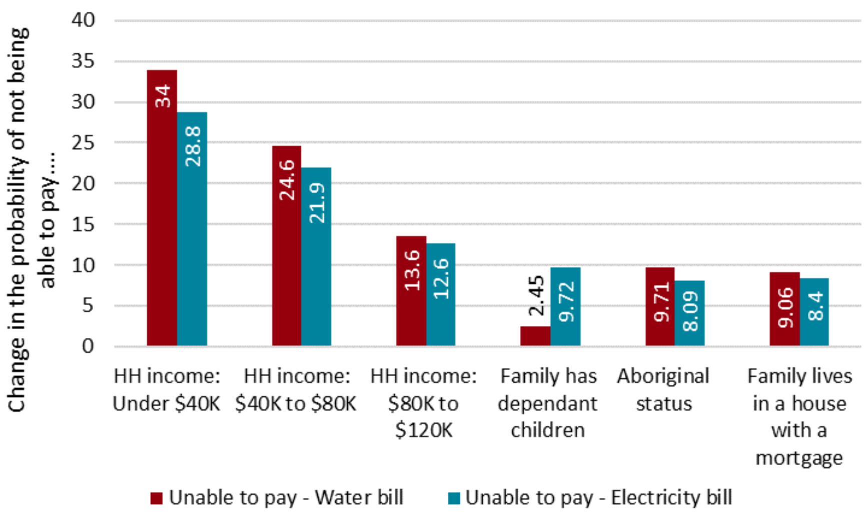
The customer survey, distributed by Water Corporation to a selection of its customers, provides insight into the contributors of financial stress and hardship. It identifies the coping mechanisms utilised by people having difficulty paying their utility bills and assists in developing an improved understanding of the best approaches to help consumers exit hardship. Though the survey was distributed to Water Corporation customers, the crossover in their customer base with other utilities together with survey design makes it possible to develop a holistic understanding of how hardship presents across utilities and in other areas of customers' lives.

Due to the targeted sampling, we can expect that respondents were more likely to have water bills front of mind when taking the survey. As a result of the nature of water billing arrangements, discussed earlier, respondents were also significantly more likely to be home-owners than tenants. [27]

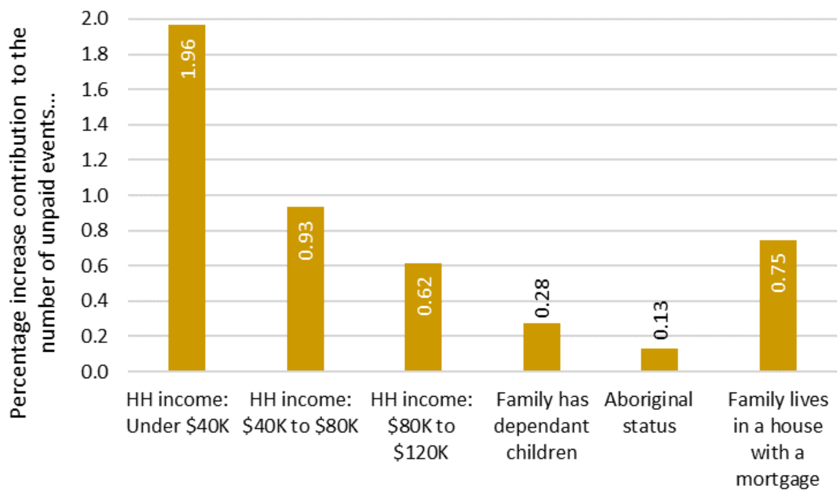
Contributors to financial stress and hardship

To understand the contribution of different factors to 'being in utility hardship' defined as being *unable to pay utility bills*, an ordinarily squared (OLS) regression with robust errors was used. This revealed the major contributors for survey respondents to water and electricity hardship, but not for gas hardship due to sample size restrictions. These variables should not be interpreted as the change in probability of not being able to pay bills, but as the contribution of each variable to increase by one the number of bills they are able to pay. Groups were combined into a single overall sample group to reduce the sample bias of the estimation. It should be noted, however, that due to the selective sampling of people in or at risk of hardship, there is an over-representation of people in financial hardship in the overall survey sample compared to the general population.

Contributors to households' inability to pay for bills, household characteristics



[27] A detailed description of the approach used for the survey is found in the **Research Design and Methods** chapter of this report.



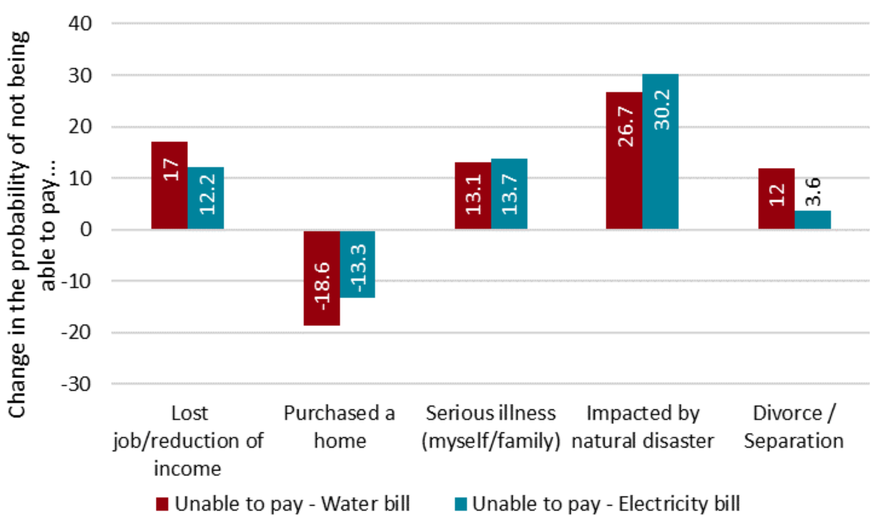
Source: Bankwest Curtin Economics Centre | Water Corporation Customer Survey.

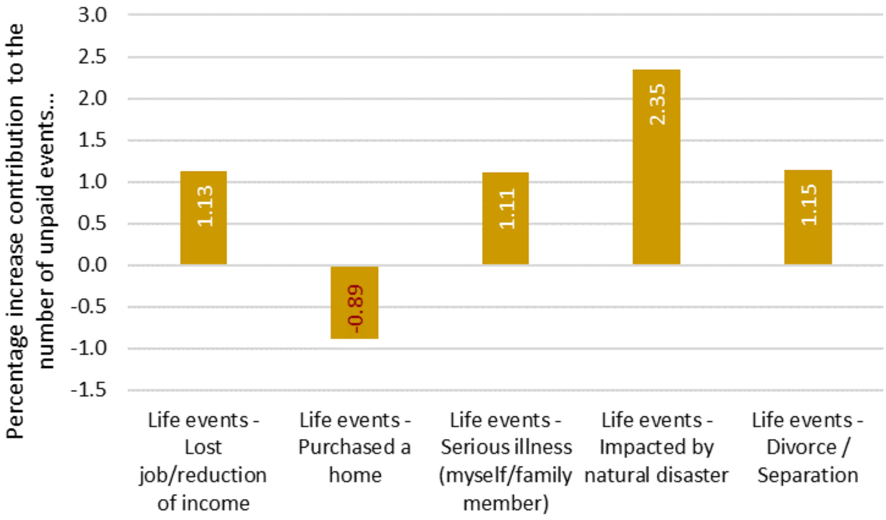
Unsurprisingly, income is the largest contributing factor to utility hardship. The lower the income, the higher the probability of being unable to pay water or electricity bills. Having dependent children also increases the probability of having unpaid bills, and this probability is higher for electricity bills than water (9.7 per cent vs 2.4 per cent). Aboriginal and Torres Strait Islander status, as well as having a mortgage, are significant contributors to utilities hardship (averaging 9 per cent).

The second graph is a constructed index that cumulates all of the household bills respondents were unable to pay, including non-utility bills such as insurance, mortgage, car loans, credit cards and food expenses. The contributors to overall financial hardship are quite similar to contributors of utility hardship.

From this survey analysis, factors that do not seem to contribute to financial hardship are age, working arrangements (such as full-time, part-time or casual work) or geographical location. Other variables at the suburb level such as the median household price, median mortgage repayment and relative income of household relative to the suburb's median do not seem to contribute significantly to the prediction of being able to pay water or electricity bills.

Contributors to household's inability to pay for bills, life events



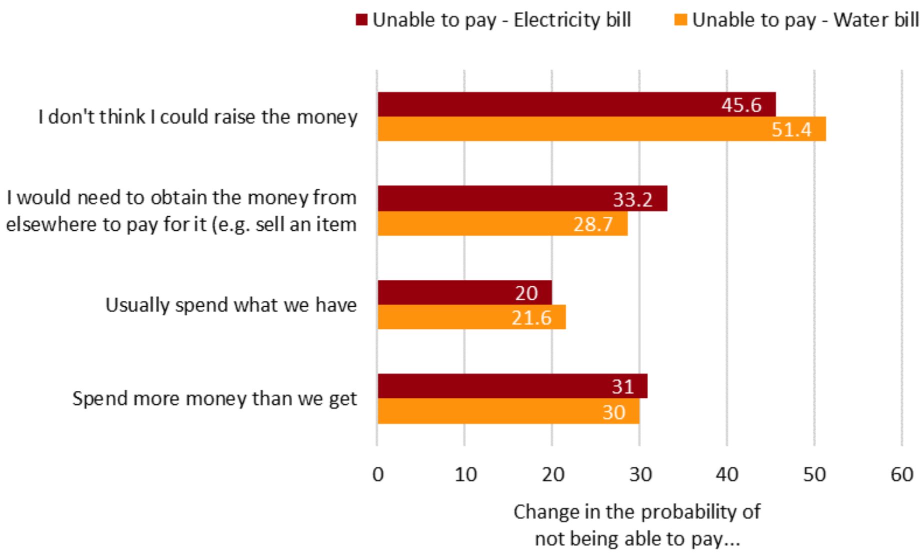


Source: Bankwest Curtin Economics Centre | Water Corporation Customer Survey.

Adverse life events are a significant contributor to utility hardship for many respondents. Losing a job or having a decline in income is one of the most significant life events that prevent families from paying bills on time. In line with the 2018 Water Corporation survey, having a serious illness can also significantly influence people's ability to pay their bills. Going through a divorce or separation does not significantly affect the probability of paying water or electricity bills, but it does once the number of hardship events or the number of expenses families are unable to pay is considered.

The most significant adverse life event affecting the probability of households being able to pay electricity or water bills is being impacted by a natural disaster. This is a significant finding as climate change is projected to increase the frequency and intensity of natural disasters across Western Australia over the coming decades, and will undoubtedly become a major contributor to financial hardship for many households. It likely reflects the engagement by Water Corporation with customers who have experienced natural disasters and the support provided through their hardship program.

Contributors to household's inability to pay for bills, savings and financial management

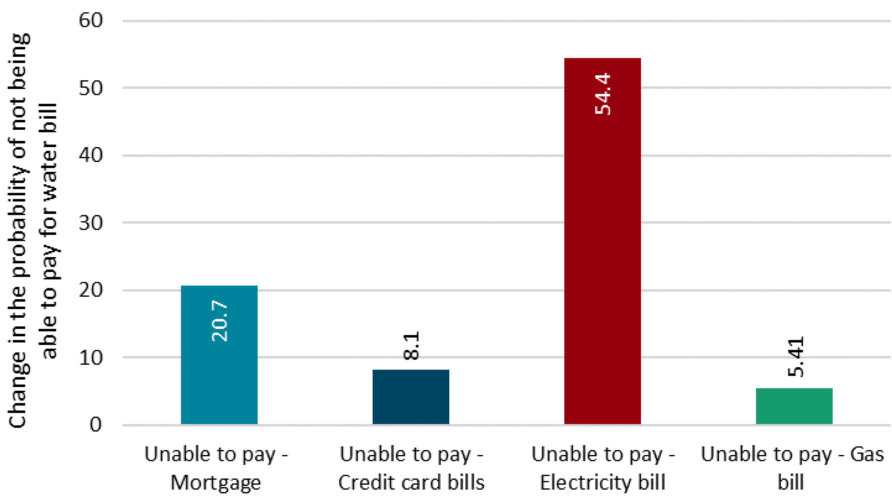


Source: Bankwest Curtin Economics Centre | Water Corporation Customer Survey.

Regardless of a households' level of income, financial management behaviours are an important contributor to utility hardship. The above figure highlights two different aspects of financial management: current financial situation and spending behaviour ("usually spend what we have", "spend more money than we get" and "able to save some money") and a household's ability to raise $4,000 in a week in the case of an emergency (indicative of their savings).

Both a households' level of savings and spending behaviours are very high predictors of utility hardship. Households that spend more money than they get are 30 per cent more likely to be in financial hardship than households that can save money regularly. Households that are not able to raise $4,000 in a week for an emergency are on average 50 per cent more likely to be unable to pay their electricity or water bills than households that could access this money from their savings. This effect is smaller, albeit quite significant, for people that would obtain the money by other means such as loans from friends and family or by selling items.

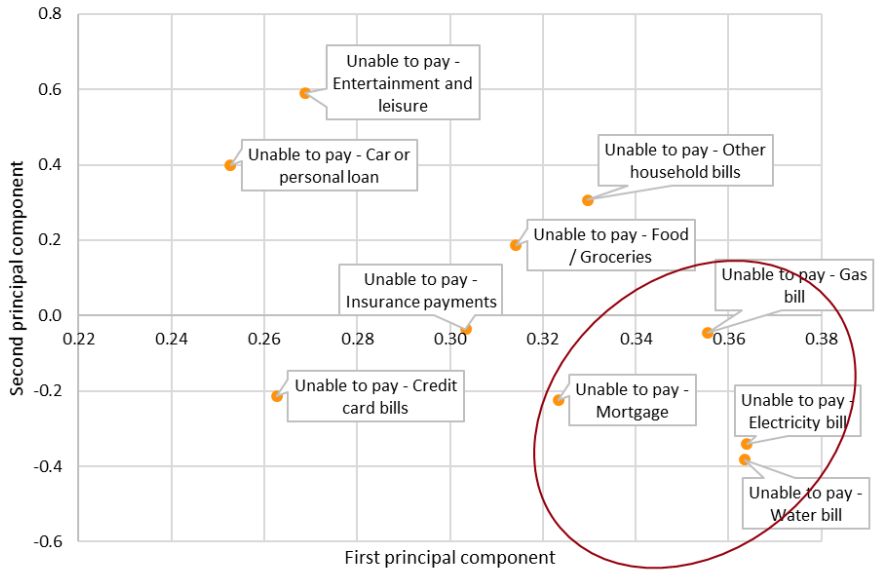
Contributors to household's inability to pay for bills, co-dependency with other bills



Source: Bankwest Curtin Economics Centre | Water Corporation Customer Survey.

Importantly, there is a significant correlation between defaulting on different bill payments. Not being able to pay for electricity is the best predictor of people's ability to pay their water bills (54.4 per cent). This is also true for electricity, where the best predictor is not paying for water and gas (55.3 per cent and 25.6 per cent, respectively). Unable to pay mortgage repayments remains a strong predictor, at 20.7 per cent.

Principal component analysis, inability to pay different bills



Source: Bankwest Curtin Economics Centre | Water Corporation Customer Survey.

A principal component analysis (as demonstrated in the figure above) paints a clearer picture of this co-dependency. This demonstrates how likely a household would be unable to pay a utility bill depending on their inability to pay another household bill or expense. Being unable to pay for mortgage repayments is a strong predictor of being unable to pay water and electricity bills. Whereas being unable to pay for insurance, food, or for entertainment and leisure does not seem to predict people's ability to pay utility bills. It appears that households are sacrificing utility bill payment when prioritising mortgage repayments.

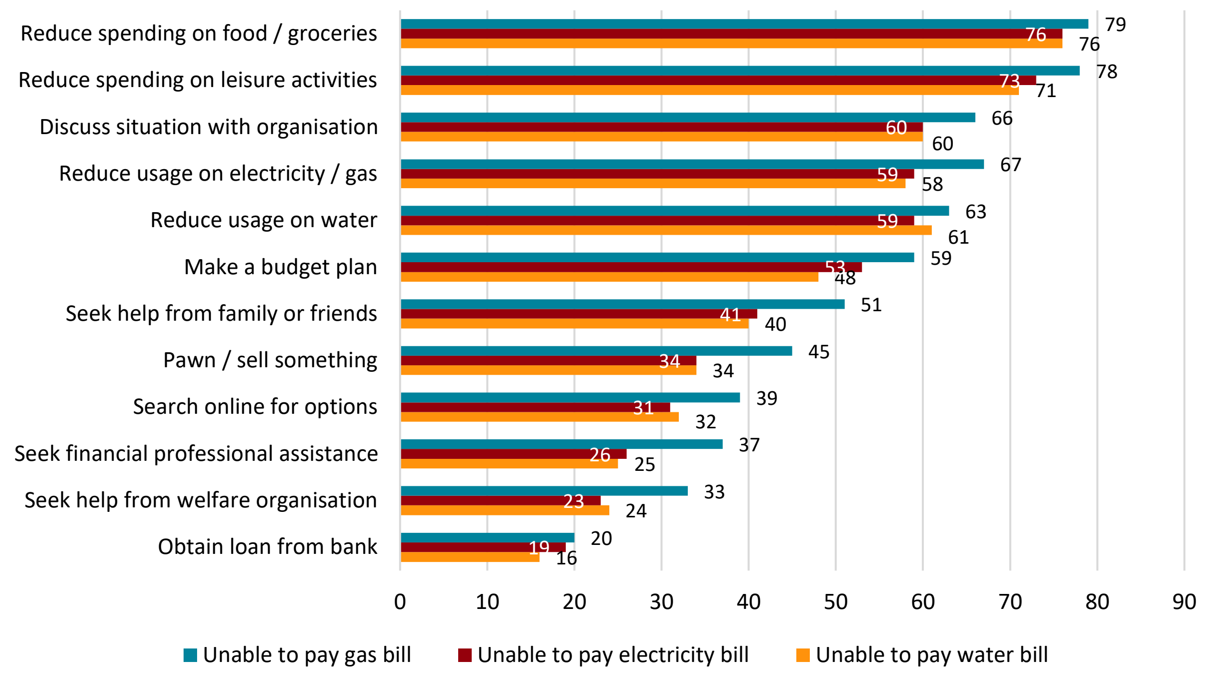
Coping Mechanisms

Respondents who were unable to pay their utility bills within the last year indicated that they utilise a range of different strategies in order to cope financially. Reducing spending on food and groceries was the most common strategy, regardless of the type of utility bill, with 76 per cent of those who were unable to pay their electricity bills and water bills, and 79 per cent of those unable to pay gas bills indicating that this was a strategy they would likely use. This was closely followed by reducing spending on leisure activities.

60 per cent of those who were unable to pay their electricity and water bills indicated they would likely discuss their bill and what options might be available with the utility retailer, and 66 per cent of those unable to pay gas bills would do the same. A similar percentage indicated that they would resort to strategies involving reducing their consumption of water, electricity or gas in order to cope.

Notably, approximately 10 per cent more of those unable to pay their gas bills indicated they would seek professional financial assistance or help from a welfare organisation than those unable to pay their electricity or water bill. This may indicate a gap in the assistance that is provided by the gas retailers, requiring those customers unable to pay their bills to seek assistance from other avenues.

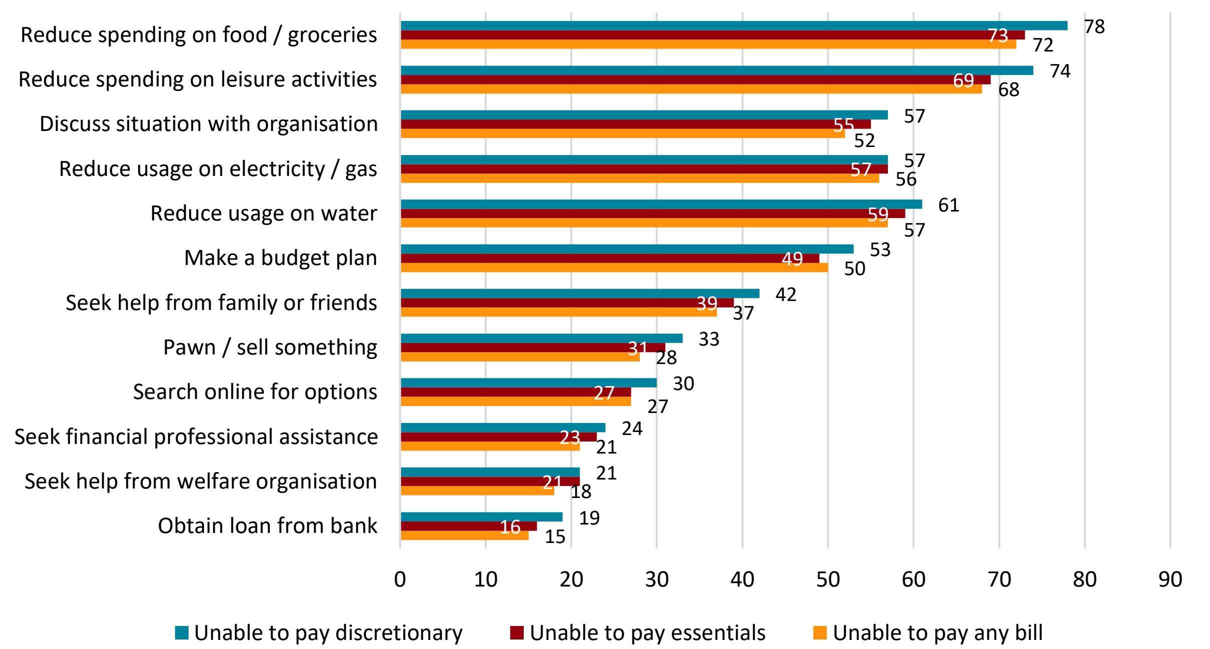
Coping mechanisms by type of utility bill unable to be paid, %



Source: Bankwest Curtin Economics Centre | Water Corporation Customer Survey.

When other bills are also considered, such as insurance payments, credit card bills, loans, mortgages and rents, a similar pattern in coping mechanisms that respondents indicated they were likely to utilise is observable. Even if after dividing those bills between what could be considered discretionary or essential, reduction in spending on food and groceries, closely followed by reduction in spending on leisure activities were identified as the most likely strategies that respondents who had been unable to pay a bill within the last year would utilise.

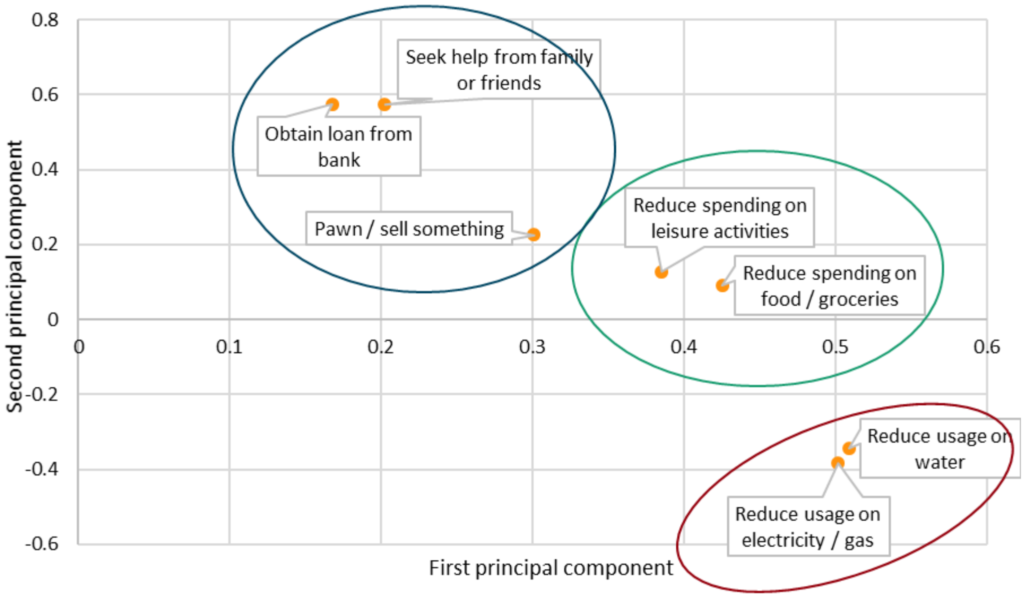
Coping mechanisms by discretionary or essential bill unable to be paid, %



Source: Bankwest Curtin Economics Centre | Water Corporation Customer Survey.

To explore the interdependency of different coping strategies, that is, how likely a household would utilise a coping strategy depending on their use of another coping strategy, BCEC ran a principal component analysis as highlighted in the figure below. Analysis revealed three different strategies households utilise to cope with financial hardship. The first group of households were most likely to reduce water, electricity and gas consumption in order to pay their bills. The second group were most likely to seek financial help from friends, family or financial institutions. The third group were most likely to reduce expenditure in general, whether reducing discretionary expenditure, such as leisure activities, or essential expenditure such as for food and groceries.

Principle component analysis, multiple coping strategies

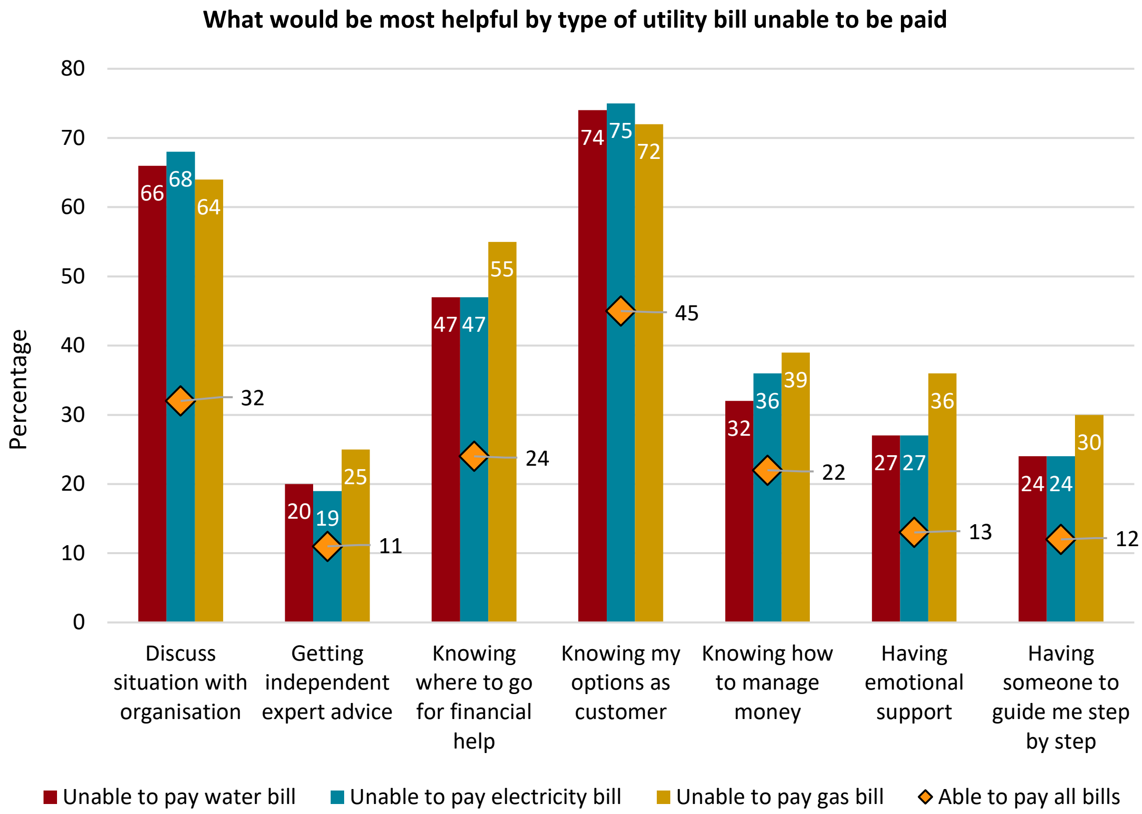


Source: Bankwest Curtin Economics Centre | Water Corporation Customer Survey.

Types of Assistance

Respondents were asked to identify what would be most helpful for them during times when they are having difficulties with their bills and expenses. Significantly, the results indicate the importance that consumers place on knowing what their options are during those situations. After knowing what their options are, over 65 per cent of respondents who are having difficulty paying a utility bill stated that it is most helpful where they are able to ask for help from organisations, such as utility retailers, without feeling judged.

These responses could suggest a desire from customers to be able to direct and choose how they engage with hardship assistance and how that assistance is to be applied. They also demonstrate the importance that consumers place on being able to engage, in a non-judgemental setting, with their retailer, in order to access assistance. There is a clear preference for being able to seek assistance directly from the retailer, rather than first seeking independent advice on their options. That 27 per cent of respondents who are unable to pay a water or electricity bill and 36 per cent of those unable to pay a gas bill stated that it would be helpful to have emotional or peer support is indicative of the impact that difficulties with bills and expenses has on consumers beyond the financial.



Source: Bankwest Curtin Economics Centre | Water Corporation Customer Survey.

Respondents were given the option to further expand upon their survey responses via open text box. When respondents who were identified as at-risk of hardship or were engaged with a hardship program with Water Corporation were asked what encouraged them to contact their utility retailer to discuss payment options, a number of respondents indicated increasing, and sometimes severe, financial pressures that impacted upon their ability to pay to their utility bills, as well as other basic cost-of-living expenses.

> “ I had to make arrangements so that my kids could still have what they needed.”

> “ **I was 1 week from being homeless**. Had to call accounts and beg for time to pay. I had one income to support two people, myself and my son, now he’s moved out leaving me with all debts. **I go without meals to make sure all the bills are paid on time and ahead if I can**. I work two jobs to try and get ahead, but feel so tired trying to keep up.”

> “ Inability to pay bills. It is very difficult at my age to realise that I cannot afford to live.”

Some survey respondents indicated the imminent threat of disconnection and that feelings of extreme embarrassment prevented them from seeking help sooner.

> “Threats of disconnection. Embarrassed to ask for help.”

When asking for help from their utility retailer, respondents in or at risk of hardship indicated that customer service conveyed with empathy and understanding made it easier to engage.

> “I don’t want our utilities to get cut off. Customer service has made it easy. **Being able to talk to someone who isn’t judging and is kind and helps work out payment plans** etc.”

> “The previous operator had a definite negative tone! This time around were **patient** and explained and explained until we understood every option or why things had occurred. Really appreciated the **empathy** and **understanding to our individual situation**.”

> “When I received a letter warning to have further action taken I always make contact to discuss why I haven't been able to pay. Having **multiple ways of making contact helps** because with work sometimes there are time restrictions. Also, **staff that are understanding and helpful makes it less stressful**.”

Having payment plans and options that they can afford was also indicated by respondents as helpful solutions for utility stress or debt.

> “**Payment options** offered by relevant organisations **without additional payment fees is very encouraging**. Payment plans are an excellent option rather than been forced to take up direct debit options.”

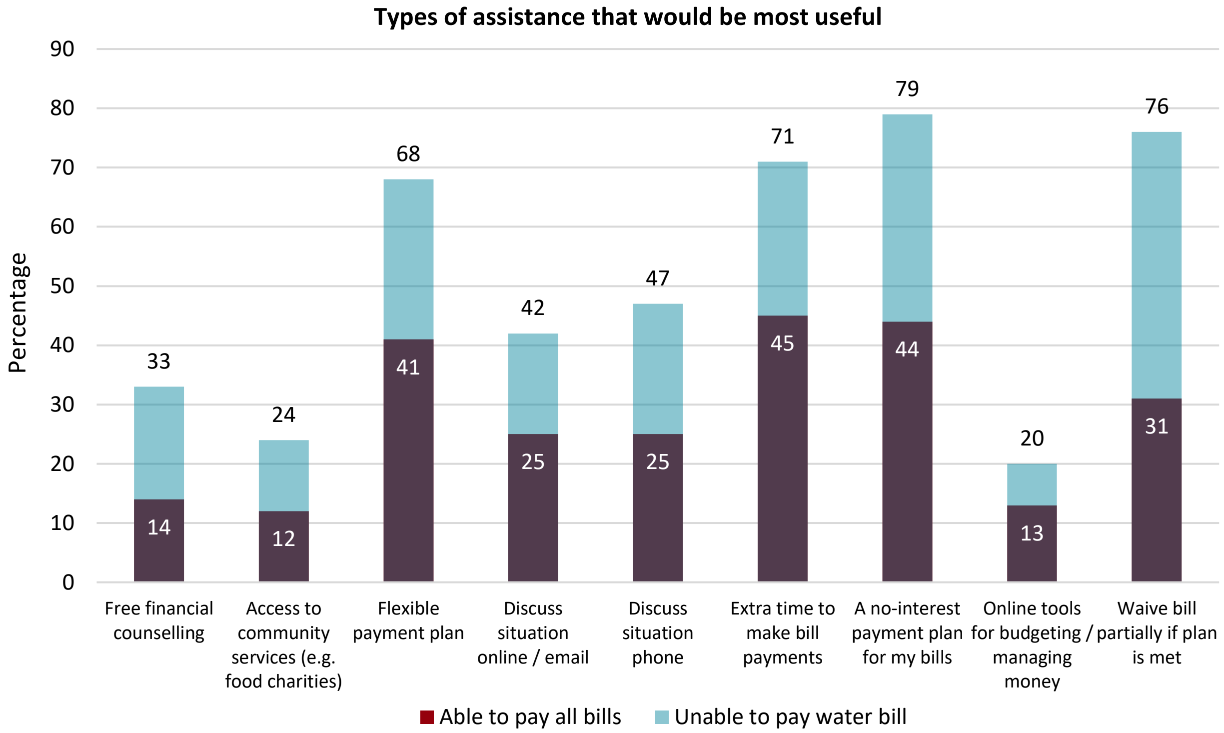
> “Bill smoothing makes me feel better, a little at a time is so much easier.”

For consumers who were not at risk of financial hardship, only 27 per cent indicated that they would be open to seeking financial assistance from a professional, with 56 per cent stating that they would not, and the remainder unsure. Open text responses seemed to indicate a confusion between free *financial counselling* assistance and fee-for-service *financial advisor* services, possibly indicating that there is a lack of awareness among the general population about financial counsellors and the services that they provide.

Respondents were then asked to consider what options and services that could be provided by Water Corporation would be most useful to assist them in instances of financial stress. For those who were unable to pay a water bill within the last year, the most useful type of assistance was identified as a no-interest payment plan for their bills by 79 per cent, followed by a partial waiving of the bill when they are able to meet their plan by 76 per cent. Extra time to make bill payments was then identified as a useful type of assistance by 71 per cent of those unable to pay their water bill, with access to a flexible payment plan where they can decide the amount and how often payments needed to be made by 68 per cent.

When all responses were considered, including those who were able to pay their water bill, extra time to make bill payments was ranked highest as the most useful type of assistance by 45 per cent of respondents, with a no-interest payment plan closely following. Notably, partial bill waivers where payment plans have successfully been met was only identified as most useful by 31 per cent of respondents, 10 percentage points lower than flexible payment plans. These results may indicate a disconnect between what people who have not experienced difficulty paying a bill consider would likely be the most useful type of assistance in that situation and the experience of those who have had difficulty paying a bill.

It is also notable that those respondents unable to pay their water bill within the last year were much more likely to identify that access to free financial counselling and community services support was useful in situations of bill hardship than the overall responses. This may indicate a lack of general awareness regarding the role that these kinds of supports provide for people who are experiencing difficulties paying utility bills.



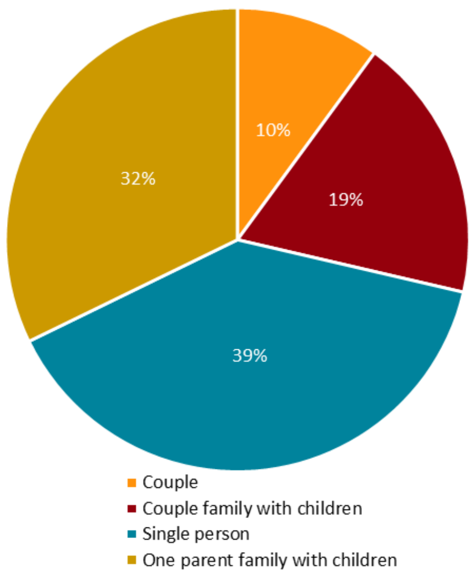
Source: Bankwest Curtin Economics Centre | Water Corporation Customer Survey.

Financial Counselling Network Data Analysis

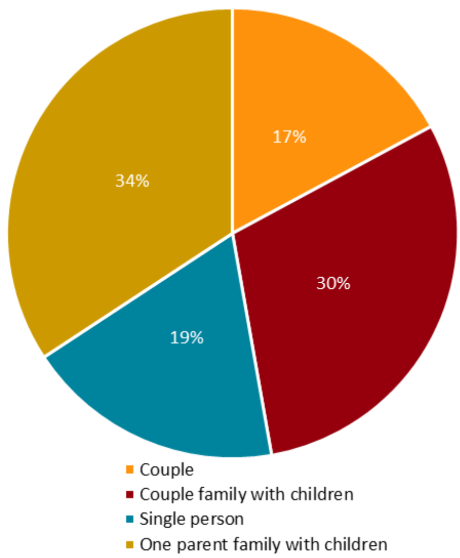
The Financial Counselling Network (FCN) is a partnership of not-for-profit community service organisations and local government across the Perth metropolitan region who provide advice, assistance and education to people experiencing financial hardship.[28] They capture a range of information on people accessing their services, including a person's demographic information, main source of income, gross household income, labour status, housing tenure, type/s of financial counselling issue (such as debt, mortgage or spending issues), type/s of co-occurring issues (such as alcohol and/or substance abuse, health related issues or homelessness), other service referrals, and reasons for hardship. This dataset provides additional insight into financial hardship to expand upon the findings of the Water Corporation Customer Survey.

Beginning with a comparison on household characteristics with the Customer Survey sample of respondents classified as being at risk of or in financial hardship, there is a larger representation of households with children or dependants and an underrepresentation of singles among Customer Survey respondents.

Family type, FCN and Customer Survey



Family type, FCN



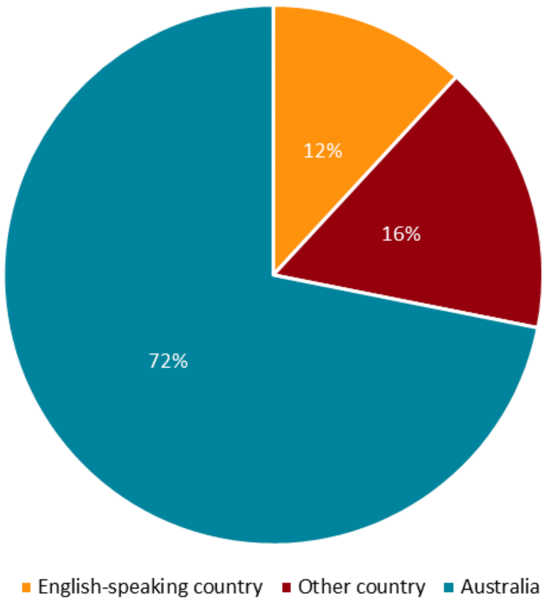
Family type, Customer Survey

Source: Bankwest Curtin Economics Centre | Financial Counselling Network data 2022.

The Customer Survey used spoken language as a proxy for cultural and linguistic diversity, with eight per cent of respondents indicating they a language other than English in their homes. In comparison, FCN collects information on clients' country of origin, with close to 16 per cent of clients' country of origin being a non-English speaking country.

[28] Financial Counselling Network, www.financialcounsellingnetwork.org.au/

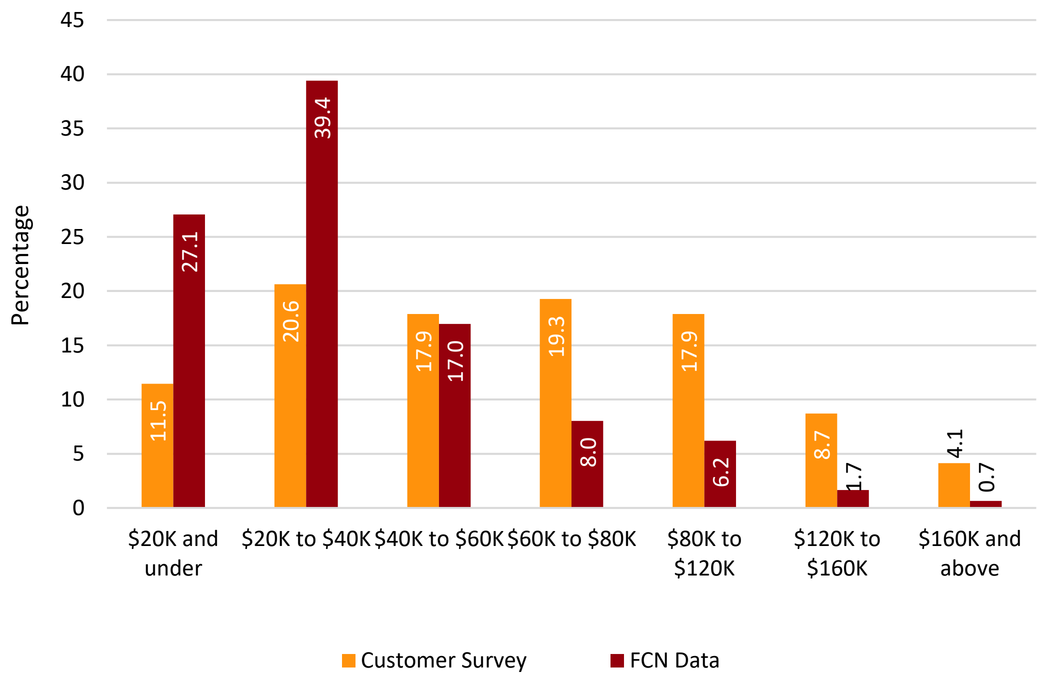
Clients' country of origin, FCN



Source: Bankwest Curtin Economics Centre | Financial Counselling Network data 2022.

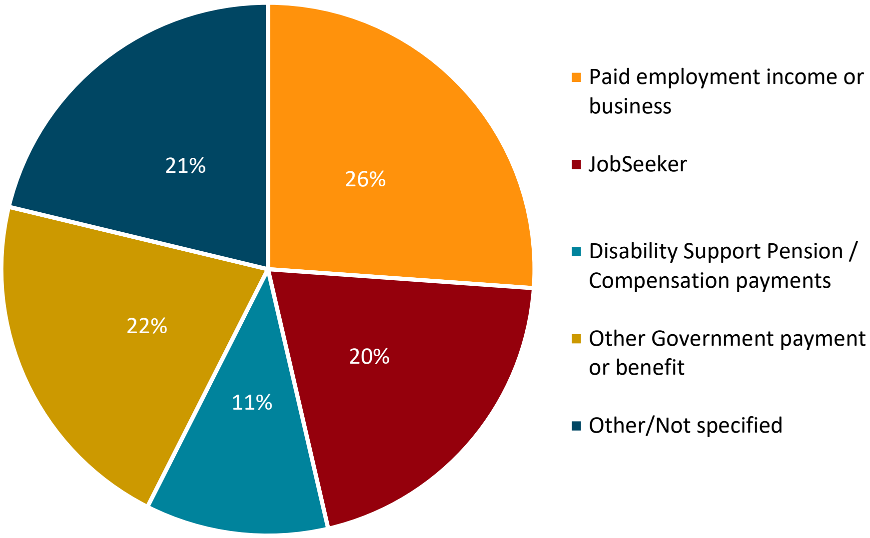
As highlighted in previous sections, income is a key indicator of financial hardship. When compared to the Customer Survey sample of people at risk of or in financial hardship, the proportion of very low-income households accessing FCN's services is higher. This is to be expected as the FCN works with people when they are experiencing financial stress.

Household income, FCN and Water Corporation



Source: Bankwest Curtin Economics Centre | Financial Counselling Network data 2022.

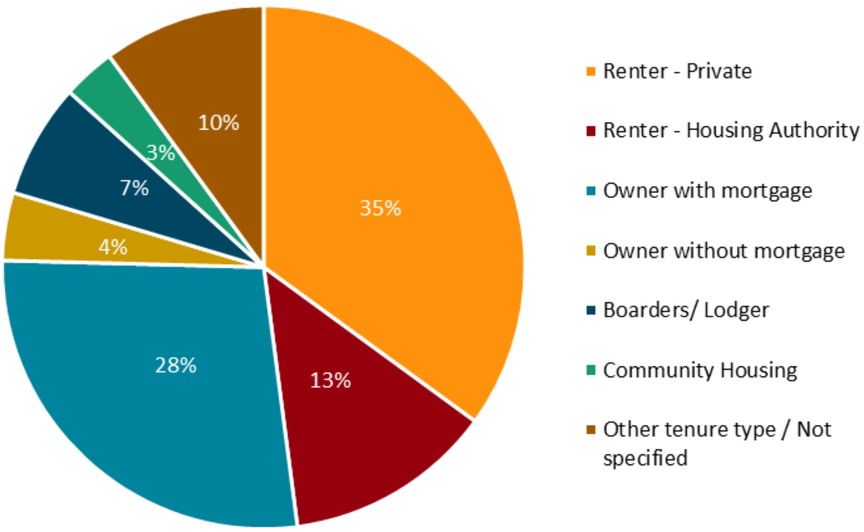
Main source of income, FCN



Source: Bankwest Curtin Economics Centre | Financial Counselling Network data 2022.

FCN data also reveals the main source of income for people experiencing financial hardship and accessing their services. Even though people in government payments such as JobSeeker, disability support pension or other government payments make up the majority of FCN clients, more than a fourth of FCN clients have paid employment income or income from a business. Out of all government payments, a fifth of FCN clients are JobSeeker recipients, thus making it a strong predictor of financial hardship.

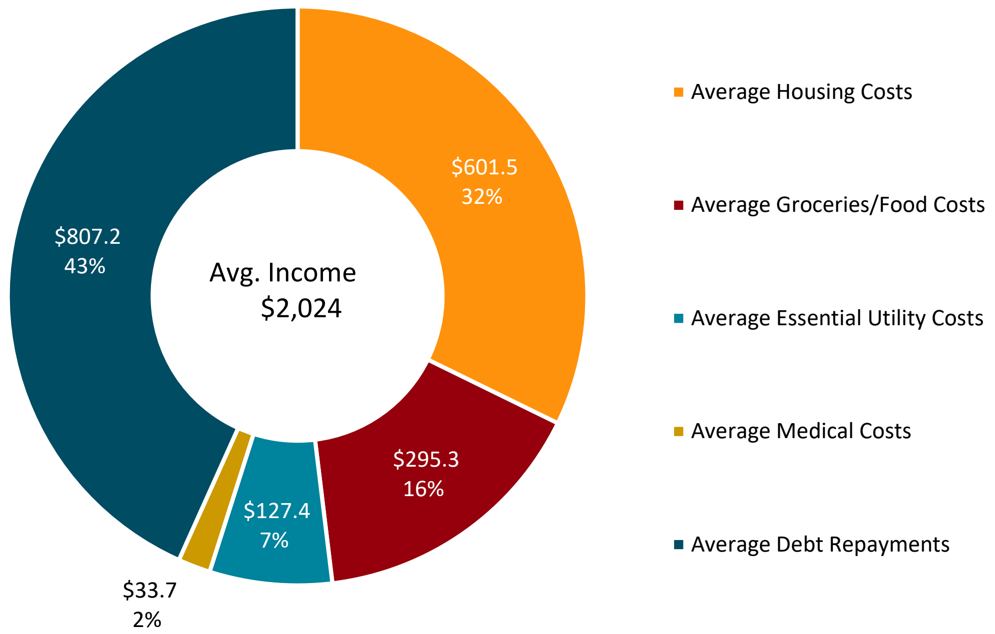
Home ownership type, FCN



Source: Bankwest Curtin Economics Centre | Financial Counselling Network data 2022.

Unlike the Customer Survey respondents, who were predominantly home owner-occupiers, FCN clients are from a wide variety of housing arrangements. 35 per cent of clients are private renters, followed by owners with a mortgage, at 28 per cent, and renters from the housing authority at 13 per cent. These findings demonstrate that people living in rental housing are at higher risk of financial hardship, making up almost half of the households seeking help from the FCN.

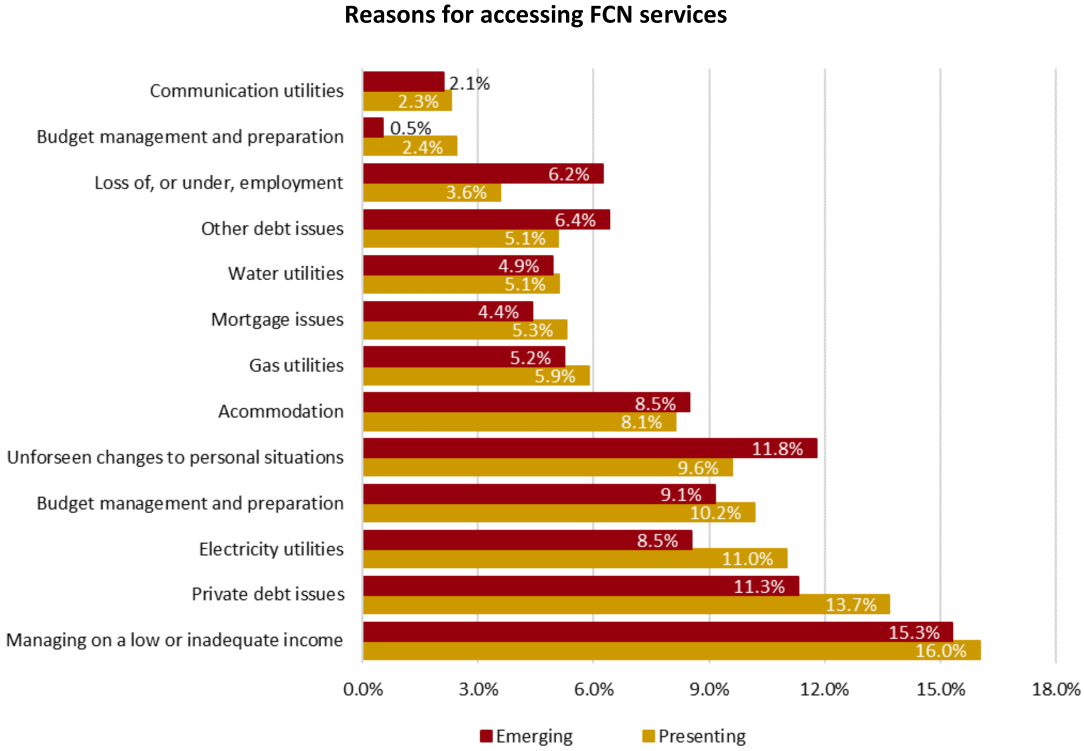
Fortnightly expenditure patterns, FCN



Source: Bankwest Curtin Economics Centre | Financial Counselling Network data 2022.

In order to assist clients with money management, budgeting and prioritising financial goals, the FCN collects data on selected expenditure patterns of families in family hardship. Clients' average fortnightly income is $2,024, which varies according to household suburb. It can be as low as $980 per month for families living in Belmont and as high as $3,300 for Joondalup and Success; this is not the average suburb income but the average income of FCN clients from those suburbs.

While housing costs represent just over a third of the overall household's expenditures (32 per cent), average debt repayments represent an enormous 43 per cent of household's expenditure at $807 per fortnight. This is $200 more per fortnight more than what they pay for their housing, which is usually a household's highest expenditure item. Utility costs are 7 per cent of household expenses and represent on average a $130 expenditure per fortnight. When all basic fortnightly expenses are added, the total comes to $1,865.10, leaving just $158.90 per fortnight from the average income for other costs, such as education, recreation, clothing, or emergency situations. The suburbs where households have the higher deficits in expenditure relative to income are Gosnells, Osborne Park, Coolbellup and Yanchep.



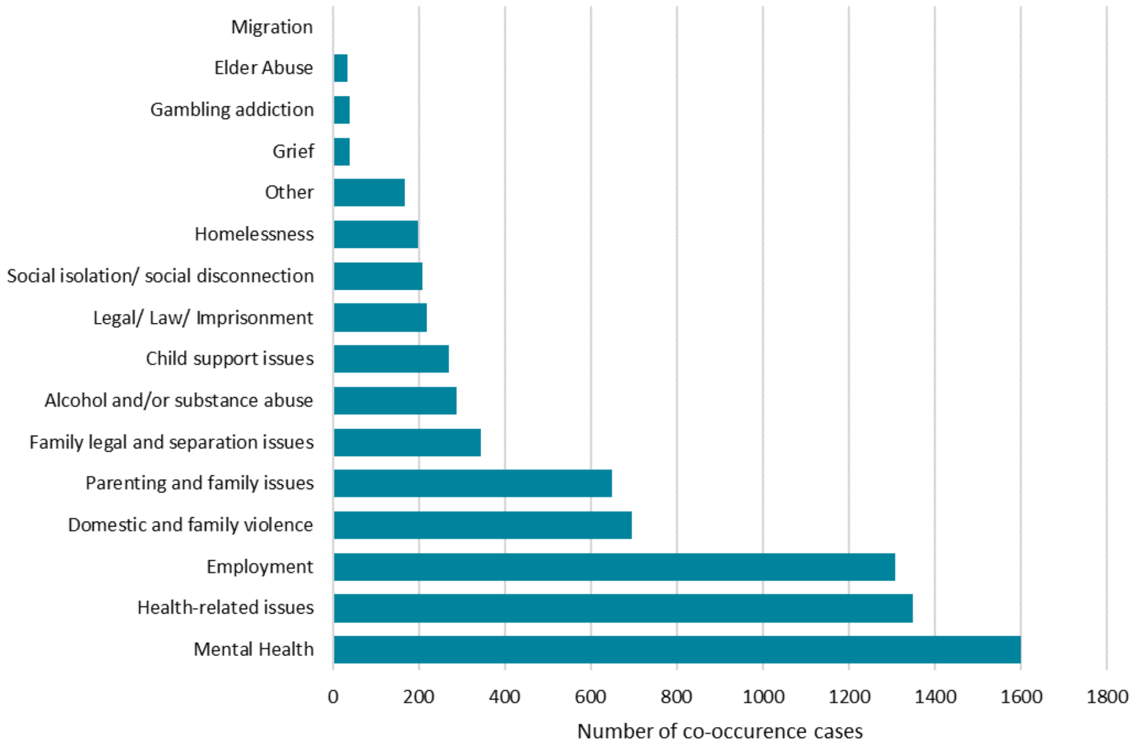
Source: Bankwest Curtin Economics Centre | Financial Counselling Network data 2022.
Note: ‘Presenting’ reasons are those that the client presented with or disclosed during the initial intake into the service, while ‘emerging’ reasons are those that emerged during subsequent meetings or assessments by the financial counsellor.

The two main reasons that people access FCN services are when people are managing on a low or inadequate income or are having private debt issues. Experiencing utility hardship is also an important reason, with issues with electricity bills ranking as the third highest reason that people access FCN services, issues with gas bills ranking seventh and issues with water bills, ninth. FCN clients suffer from energy hardship more significantly than they do from water hardship, with the prevalence of people citing electricity bills as an issue being twice as much as that of water bills. This may be due to the higher proportion of renters in the sample that potentially do not pay for water bills.

There are often a number of complex co-occurring health, social or relationship issues faced by people experiencing vulnerability and financial hardship. The two largest co-occurring issues for FCN clients are mental health and other health-related issues. This confirms findings from the Customer Survey, where having a serious illness is shown to significantly influence people’s ability to pay their bills. Employment issues, which are likely affect a person’s income, is another co-occurring issue. This is another finding similar to the Customer Survey where income is shown to be the largest contributing factor to utility hardship.

Other issues that are not able to be compared to the Customer Survey findings, yet are important factors correlated with financial difficulties, relate to family matters such as domestic violence, parenting and family issues, separation and divorce and child support issues. There are also factors related to alcohol and substance abuse or legal issues such as imprisonment. Finally, there are contributors that are not often considered when evaluating financial hardship such as social isolation and social disconnection.

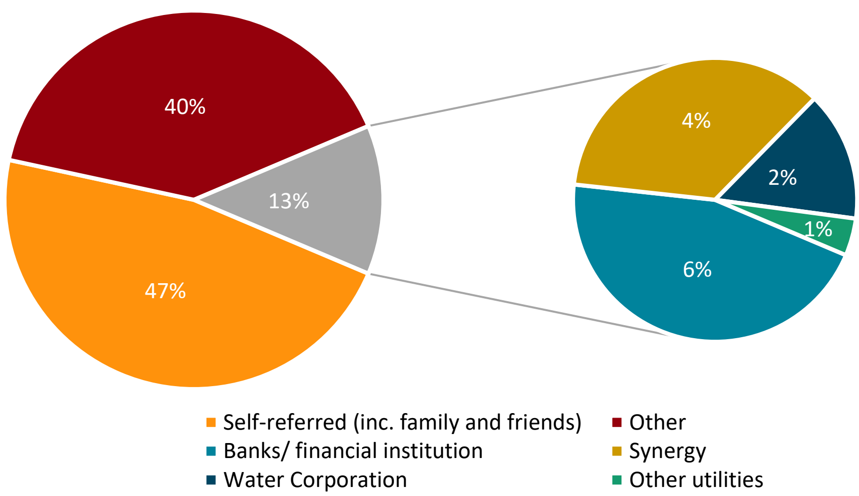
Co-occurring issues with financial hardship, FCN



Source: Bankwest Curtin Economics Centre | Financial Counselling Network data 2022.

The final graph below relates to people's referrals from other service providers and institutions to the FCN. Most of the people that seek help from the FCN are self-referred, however, over half of FCN clients are referred by other organisations or institutions. Six per cent of FCN clients were referred by banks and financial institutions, four per cent by Synergy, two per cent by Water Corporation and one per cent by other utilities. Utility retailers or financial institutions may refer to a range of financial hardship services and not just the FCN, including the National Debt Helpline, which will not be reflected in these results.

Referrals to Financial Council Network



Source: Bankwest Curtin Economics Centre | Financial Counselling Network data 2022.

Recommendations

The following recommendations seek to both address the causes of utility hardship and to ensure that systems are in place to ensure households and consumers receive the support that they require in order to meet their utility needs. The recommendations set out actions that can be undertaken by the Commonwealth, Western Australian and local governments, as well as by utility retailers.

Recommendation	Jurisdiction/Agency Responsible
Increase the rate of JobSeeker and associated payments	Commonwealth Government
Replace the Energy Assistance Payment with a percentage-based primary energy concession	WA Government
Expand eligibility for water concessions to include people who hold a Health Care Card	WA Government
Permanently reduce the HUGS payment arrangement requirements, increase the maximum grant limits and extend eligibility	WA Government
Consider making the Household Energy Efficiency Scheme permanent	WA Government
Provide early and proactive support to prevent hardship occurring	Utility retailers
Take a customer empowerment approach to hardship programs	Utility retailers
Collaborate with financial counsellors to design hardship training for staff	Utility retailers
Support the electrification of homes and institute a moratorium on all new household connections to existing gas networks	WA Government
Introduce minimum energy efficiency standards in rental properties	WA Government
Ensure the timely implementation of the National Construction Code 2022 energy provisions and consider urban heat impacts in planning decisions	Commonwealth Government, WA Government and local governments
Investigate barriers for tenants with water bills seeking support	WA Government and utility retailers
Increase funding for financial counselling services	Commonwealth Government and WA Government
Increase funding for and actively promote emergency relief services to assist households experiencing financial hardship	Commonwealth Government, WA Government and utility retailers

Increase income support

Low payment rates of Commonwealth income support produce a range of compounding factors that make it very difficult for people relying on that support to cover their basic living costs, such as utility bills. The JobSeeker Payment and its former iterations have failed to meet even half of the national median income since the early 2000s, except for that brief moment when it was joined by the Coronavirus Supplement.

The introduction of the Coronavirus Supplement by the Federal Government in March 2020, provided us the opportunity to examine the outcomes of a more supportive social security system. The supplement, worth $550 per fortnight, lifted more than 400,000 Australians out of poverty, including 75,000 children.[29] Despite being strongly supported by the Australian community and demonstrably effective in improving living standards and life outcomes of those otherwise living in poverty,[30] this support measure was gradually reduced over the course of 2020 and early 2021, until it was abolished on 1 April 2021.

Research has demonstrated the wide-ranging impacts that the provision of adequate income support and the temporary suspension of mutual obligations had on individuals and households experiencing financial vulnerability and hardship. An online survey, conducted by Swinburne University and the Australian National University, found that Supplement recipients were better able to afford basic needs, as well as afford other strategic expenditures to improve their household's long-term financial security.[31]

As such, increasing the rate of JobSeeker and associated payments, including Rent Assistance, is essential for ensuring that those who are unemployed are able to cover the costs of meeting a standard of living in line with community expectations, including maintaining a connection to essential utilities.

Improving concessions

A critical reform to improve energy concessions in Western Australia would be to introduce a *percentage-based* concession, as is used in Victoria. This would substantially improve their adequacy and equity, particularly for larger households and those in poor quality public and rental housing. Percentage-based concessions are calculated in proportion to usage, so they ensure eligible households with higher energy needs receive more assistance. Such an approach is more effective in meeting the principle of vertical equity than flat concessions as support is better matched to the different circumstances and needs of households.[32] This approach also better supports individual households to cope with fluctuations in their energy consumption over time due to changing health needs and seasonal variation.

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[29] Matt Grudnoff (2020) *Poverty in the age of coronavirus: The impact of the JobSeeker coronavirus supplement on poverty,* The Australia Institute.

[30] Zoe Callis, Ami Seivwright, Carol Orr & Paul Flatau (2020) *The Impact of COVID-19 on Families in Hardship in Western Australia*, The 100 Families WA project

[31] Elise Klein, Kay Cook, Susan Maury & Kelly Bowey, (2021) *Social security and time use during COVID-19*, Swinburne University of Technology & Centre for Excellence in Child and Family Welfare

[32] Queensland Council of Social Service (2014) *Energising concessions policy in Australia*

The Australian Competition and Consumer Commission has stated that a combination of a fixed dollar amount to offset daily supply charges and a percentage-based concession to offset variable usage charges would provide the greatest support to consumers, and ensure equity between lower and higher consumption households. Importantly, it would also ensure greater support who are unable to engage with energy efficiency measures to reduce their usage.[33]

Alviss Consulting undertook modelling of the changes to the main electricity concession in each Australian jurisdiction for the South Australian Council of Social Service and the Australian Council of Social Service. This analysis found that in Western Australia, health care card holders would be better off under a percentage-based concession where it was set at 19 per cent and pensioners would be better off if it was set at 22 per cent. Households who received concessions and had solar installed would be worse off under any percentage-based scenario due to their low consumption.

Examining a hybrid concession, with both fixed and percentage components, found that non-solar households in Western Australia would be better off under all scenarios, with solar households better off if where they receive $270 off their supply charges and 9 per cent off usage charges. [34]

The analysis determined that shifting to a percentage-based model, rather than a flat or a hybrid, for the main energy concession was more equitable and responsive to changes in both energy price and consumption. In establishing a hybrid model, a determination would have to be made as to whether to preference higher or lower consumption households in setting the fixed and percentage components. A purely percentage-based main concession, however, would be ‘consumption agnostic’ as all eligible households would receive the same percentage discount off their bill. If it was determined that further support was needed for low consumption households, that would be better achieved through a separate concession or scheme. This model would be better equipped to ‘self-correct’ to maintain its relativity to need where there were changes to energy prices or demand.[35]

For water concessions, the clear issue is one of access. The State Government rebates for consumption and service charges are principally available only to people who hold a pensioner concession card or seniors’ card. This means that for many people who require additional financial support to access enough water to sustain reasonable living standards, such as those who may be currently unemployed and reliant on Commonwealth income support, they will likely not be eligible for these concessions. As such, expanding the eligibility for water concessions to include people who hold a Health Care Card is essential.

Giving better HUGS

As part of its response to COVID-19, the WA Government reduced the requirement for a customer to be on a minimum 180-day payment arrangement before a Hardship Utility Grant Scheme (HUGS) application could be submitted, down to a minimum 90-day payment arrangement. This measure meant that customers experiencing financial hardship were able to access the grants earlier, providing them the support they needed to avoid increasing debts and the risk of disconnection.

[33] Australian Competition and Consumer Commission (2018) *Retail Electricity Pricing Inquiry – Final Report*
[34] May Mauseth Johnston, Alviss Consulting, and Rebecca Law, SACOSS (2022) *Assessing impacts of changes to Australian Electricity Concessions* (yet to be published)
[35] Ibid.

The reduction also meant that customers were able to engage with HUGS Service Centre earlier. The Centre is a third-party assessment service delivered by the Financial Counselling Network through Anglicare WA, which provides an assessment and triage service for customers assessed as being eligible for a HUGS grant. This service works with HUGS applicants to address their budgetary challenges and provides referrals to other services as necessary.

The current minimum 90-day payment arrangement requirement is set to expire on 1 February 2023, when the requirements will return to a minimum 180-day payment arrangement being in place before a HUGS application can be submitted. The positive outcomes that the current 90-day arrangement has for enabling earlier intervention demonstrate why this arrangement should be made permanent. This permanency would provide greater certainty too for financial counsellors and utility retailers working with customers who are experiencing financial hardship.

The maximum HUGS payment limits have remained static since 2017/18 and, as such, have not kept pace with increases in energy and water tariffs. Consideration should be given to restoring the proportionate value of these grants to prices, matching at least their 2017/18 level. The grants should be indexed, going forward, so that the maximum payment values increase commensurately with rises in utility charges.

Eligibility for these grants should also be expanded to include utility consumer cohorts who are currently unable to access them, despite their financial situation. In particular, they should be made available to pre-payment meter customers and water utility customers living in public housing.

The future of HEES

Providing households with the resources to become more energy efficient through home audits and appliance upgrades can have a significant impact in addressing utility hardship. There have been many programs in the Eastern States to improve household energy efficiency for those on low incomes, including the Tasmanian Energy Efficiency Loan Scheme, the Victorian Energy Upgrades program and the Healthy Homes program, and the NSW Climate Change Fund.

Synergy and Horizon Power are currently operating pilots of the Household Energy Efficiency Scheme (HEES), mentioned earlier in this report. Until the creation of HEES, Western Australia had not had a similar scheme in place since the axing of the Hardship Efficiency Program in 2012.

Following a procurement process, it is intended that HEES will operate from January 2023 to June 2025. Should the scheme demonstrate positive outcomes, there should be consideration as to establishing HEES as a permanent aspect of Western Australia's hardship support infrastructure.

Intervene early to prevent hardship

Early intervention to help prevent utility hardship requires utilities to take a proactive approach to identifying consumers in need of assistance and better enabling customers to take steps to address hardship and avoid disconnection.

Retailers who proactively contact customers they believe may be experiencing or at risk of hardship may see better results as they are preventing the escalation of a customer's difficulties into unmanageable debt. The active promotion of, and appropriate communication about, their financial hardship policies and programs, as well as the availability of financial counselling can better educate customers as to what support is available.

Retailers should consider what barriers are in place that prevent customers from accessing their current support programs, as well as whether new programs would be warranted. Programs that require customers to demonstrate a level of need or hardship may be inadvertently preventing them from taking proactive steps to avoid hardship in the first place.

There are important factors to consider when making proactive offers of support:

1. The mode of conduct. Customers should be contacted in a variety of ways to meet their preferences or needs. This may include telephone, email or mail communications, as well as options that address the additional challenges some customers face in accessing information and assessing their options, including a lack of technology to access online resources or lack of phone credit.

2. The personal or social characteristics that can affect a person's ability to manage financial interactions. For instance, speaking a language other than English, or experiencing difficulty due to intellectual disability, mental illness, chronic health problems, age or adverse life events. Knowledgeable, proactive staff members should try to understand a customer's situation and provide more than just standard scripted responses, adjusting the tone of communication accordingly.

With underconsumption a coping mechanism utilised by households when experiencing financial hardship, a noticeable decrease in consumption could form part of a trigger for utility retailers to reach out their customers. Likewise, where significant spikes in consumption are observable, this too could be a reason to reach out to customers in order to provide assistance in circumstances where they are having difficulty with their utility usage.

Water Corporation's Time Assist program enables customers to proactively seek assistance when their circumstances change and they are aware that they may face challenges keeping up with their water bills in the short term. As discussed earlier, proposed changes to the *Code of Conduct for the Supply of Electricity to Small Use Customers* will mean that all customers will be entitled to additional time to pay a bill or an interest-free instalment plan should they request it.

By establishing an entitlement to assistance for all residential customers, it makes it clearer for customers what their rights are and improve customer satisfaction, while ensuring that no customer is denied assistance. This may contribute to reducing the stigma some customers feel about requesting assistance or accessing hardship programs as it is made clearer that this is simply part of the regular service that the utility retailers provide all customers.

Take a customer empowerment approach to hardship programs

The interviews with financial counsellors made clear that for the hardship programs provided by utilities to have the greatest level of success, they need to take an approach that is centred around consumer empowerment. Enabling consumers to exercise greater choice when determining what payment arrangements best suit their circumstances can improve engagement between customers and retailers.

This approach requires retailers to be flexible about the support they are offering and be willing to tailor their responses to meet the different circumstance and repayment capacity of individual consumers. This includes taking steps to ensure customers are only offered repayment options and ongoing services that they can afford.

It also requires that retailers trust what their customers tell them. Fear and shame act as a great discouragement for customers in hardship to seek assistance, and facing doubt when they explain their circumstances can result in disengagement with the retailer. Further, efforts should be made to avoid customers having to repeatedly describe their situation as this too can lead to a customer disengaging with a retailer.

Where it is possible for a customer to make any level of payment, retailers should prioritise establishing the payment behaviour rather than focus on the dollar amount they are seeking to recover. If a customer is only able to make very small regular payments, retailers should work to accommodate this. Incentives, such as matched payments as with Water Corporation's Water Assist program, can assist in establishing regular payment behaviours.

Collaborate with financial counsellors to design hardship training and build a supportive culture

The way in which utility retailers respond to financial hardship and establish an empathic culture to support and serve community members in genuine need can contribute to improved outcomes for both the retailer and customer. Establishing an empathetic culture through appropriately training staff can influence whether customers in hardship feel positively engaged and supported or dismissed and disengaged. This understanding should be held not only by frontline staff, but also across managerial and executive levels, to ensure that organisational directions and decisions are made with an awareness of the impacts they may have for customers experiencing hardship.

As reported by the financial counsellors, some customers may feel reluctant to reveal their financial situation due to shame or fear, or may be experiencing stress and emotional distress, which may impact the person's capacity to communicate, understand, and retain information. They may require additional assistance and understanding if they have specific needs, such as disability, low English language proficiency, or literacy issues, for example.

The Customer Codes require retailers to provide training for their frontline staff so that they are equipped with the necessary skills to respectfully and sensitively work with customers experiencing financial hardship. Some retailers have collaborated closely with financial counsellors in the development and delivery of this training. This has not, however, occurred with all retailers, particularly those which are not publicly-owned, and financial counsellors report that as a result, the staff at those retailers may sometimes lack a contemporary understanding of hardship and how to respond appropriately.

It is critical that contact centre, frontline and collections staff can ask the right questions, identify hardship triggers, listen effectively and quickly establish trust to provide efficient, effective support to customers in vulnerable circumstances. Staff must be provided with appropriate training that focuses on providing tailored solutions and improved outcomes for customers experiencing hardship, as well as strategies to manage their own wellbeing and stress levels when dealing with challenging or distressing matters.

This should include providing staff with the appropriate support and training to recognise and address compassion fatigue and vicarious trauma. Frontline staff can be exposed to customers experiencing high levels of distress, trauma and other complex issues. Without the necessary support in place, this can have significant psychological impacts for those workers.

Training should also equip staff with the skills to connect people with appropriate community and support agencies where the person has disclosed trauma, mental health or distressing circumstances. Utility providers can work collaboratively with financial counselling and other community support services to develop staff understanding of hardship and the scope of services available to further assist customers in achieving positive financial and wellbeing outcomes.

Getting off gas

The electrification of households is a critical step in improving the affordability of energy in Western Australia. By removing the gas connection, households will no longer be required to pay the fixed costs of two networks. These are costs that households are otherwise unable to avoid, no matter whether they use appliances reliant on that energy source or not.

Analysis conducted by Renew has found that the retail fixed daily charges that households must pay to stay connected to both the electricity and gas networks are nearing $500 a year. This research has determined that in every instance, no matter the location or tariff type that a household may be on, it is more economic for new homes to avoid a gas connection altogether. Further, in the majority of circumstances where a gas appliance needs to be replaced, it was found to be more economic to replace it with an electric appliance.[36]

Additionally, the findings of the focus group conversations with financial counsellors indicate that households experiencing energy hardship do not receive the same level of assistance from the private gas retailers as they do from the publicly-owned utilities. As such, electrification would result in those households not requiring support or assistance from gas retailers.

Household gas appliances have also been found to emit gas into homes, even when they are switched off. In a study of eighteen brands of gas cooktops and stoves, researchers from Stanford University discovered that three-quarters of the methane emissions from these products occurred while they were off, with gas escaping from fittings, connections and gas lines. These appliances were also found to be releasing health-damaging air pollutants that can trigger respiratory diseases into people's homes.[37]

Horizon Power's Esperance Energy Transition Plan is currently seeing the electrification of 379 homes and businesses in the lead up to the March 2023 closure of the privately-owned gas network in Esperance. This transition is supporting households to replace existing gas appliances with energy efficient electric appliances.[38]

[36] Renew (2021) *Affordable energy choices for WA households*
[37] Eric D Lebel et al (2022) 'Methane and NOx Emissions from Natural Gas Stoves, Cooktops, and Ovens in Residential Homes', *Environmental Science and Technology* 56(4), 2529-2539
[38] Horizon Power (2022) *Esperance Energy Transition Plan*

The lessons from the Esperance transition should be utilised to develop a whole-of-state gas substitution roadmap, similar to that launched by the Victorian Government.[39] This roadmap should include measures, developed with local communities, to support the electrification of their homes, with additional support provided to people on low incomes. This work should consider what disincentives there are to disconnect from the gas network and how these can be removed.

Subsidies and rebates should be provided for low income households to support the replacement of their existing gas appliances with electric appliances. As the usage of the gas network declines, with wealthier households able to afford to purchase new, more cost-effective electric appliances, there is a risk that the cost of maintaining the gas network will be carried by low income households.

In the meantime, the WA Government should institute a moratorium on all new household connections to the existing gas network. This prevents households being forced to take on the costs of two networks and provides an easier path to the complete electrification of Western Australian households.

Energy efficiency standards for rental housing

Western Australia has agreed in principle to the *Trajectory for Low Energy Buildings – Existing Buildings*, which includes the implementation of national minimum energy efficiency standards for rental properties. Mandatory minimum standards that ensure tenants are able to access liveable, quality housing options, are being progressively introduced in Victoria, Queensland and the ACT.

Households living in poor quality housing with inefficient appliances have limited capacity to reduce their exposure to extreme heat, and older households often underestimate their vulnerability to adverse health outcomes. Many aged pensioners put their health and life at risk in an effort to keep energy bills down, leading to poorer wellbeing outcomes and rising health care costs. Inadequate housing costs us all more as a community, through the associated burden of chronic disease.

Empowering renters to make better choices about the properties they rent can be achieved through the mandatory disclosure of relevant information. However, in a tight rental market where renters may have limited options to choose from, improved information will not be sufficient to achieve tangible outcomes. As such, minimum standards need to be established to ensure tenants are able to access liveable, quality housing options, as are being progressively introduced in Victoria, Queensland and the ACT.

The lack of minimum standards in rental properties places the health and wellbeing of renters at risk. The fear of eviction can deter tenants from seeking repairs to the rental property from real estate agents and landlords. Due to the very low supply of genuinely affordable rental properties for those on the lowest incomes, as well as discrimination in the rental market, low income renters may be forced to compromise on housing quality. Minimum standards that must be met for all rental properties establish a clear baseline that can be easily understood by landlords and tenants. These minimum energy efficiency standards should also support the electrification of rental properties.

[39] Victorian Government (2022) *Victoria's Gas Substitution Roadmap*

Building standards and planning requirements

It is also necessary that we ensure that all new residential buildings are safe, healthy, comfortable and affordable, by meeting high energy and water efficiency standards. This can have a significant impact on utility bills for households. The Australian Building Codes Board found that by adopting proposed energy performance requirements for residential buildings in the *National Construction Code 2022* (NCC 2022), households would be up to $576 a year better off compared to business as usual.[40]

In August 2022, the Commonwealth, state and territory Building Ministers agreed to the adoption of the standards in this Code, with the new energy provisions in the NCC 2022 available for use from 1 October 2022, to formally commence on 1 May 2023, with a transition period to 1 October 2023. It is critical that Western Australia implements these important changes according to this timeframe to ensure that households in our state do not miss out on the benefits of higher-performing homes.

Consideration around how our built environment is constructed should also include resulting urban heat impacts. Local governments and State planning bodies have a clear role in ensuring our built environment is appropriately designed for Perth's climatic conditions. For example, the City of Vincent's Environment Design Standards in their Built Form Policy, encourages the use of light-coloured roof and external wall colours to reduce heat island effects, and includes maximum solar absorptance ratings.[41] This not only contributes to energy efficiency, but also to reducing demands on water usage as households will have less need to resort to using water for cooling strategies. The Town of Bassendean has prohibited dark roofs on all new residential developments, as well as requiring the installation of a minimum 3kw solar system, rainwater tanks and grey water systems, and provision for a future electric vehicle charger.[42]

Investigate barriers for tenants with water bills

All states separate out the liability of an owner for service charges from consumption charges for tenants where it is separately metered. There is, however, divergence amongst the states as to how that consumption charge is supplied to the tenant. In Victoria, tenants have a direct contractual relationship with the water provider, in much the same way that tenants elsewhere have with electricity and gas providers.

Protecting the interests of tenants and ensuring they can access financial hardship assistance is paramount. The Victorian example of having a direct contractual relationship between tenants and water authorities is a way of ensuring that assistance can be provided and enabling more visibility of tenants in financial hardship, without risking their tenancy by necessitating tenants expose their hardship to the lessor.

It is, however, the case in Western Australia that many private tenants do not necessarily directly pay for their water consumption, with the cost either worn by the lessor or factored into the setting of their rent level. Solutions that ensure financial hardship assistance can be provided directly to Western Australian tenants who pay for their water consumption must be developed that do not

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[40] Australian Building Codes Board (2021) *Consultation Regulation Impact Statement*
[41] City of Vincent (2022) *Environmentally Sustainable Design*
[42] Town of Bassendean (2022) *Council adopts sustainability provisions for all new developments*

result in increasing costs for all tenants by passing on water charges to tenants who do not currently pay them.

Alternatives, where lessors cannot pass on the costs to tenants directly, but must establish an arrangement with water authorities for tenants to be billed could be explored, or by including provisions in legislation whereby tenants in financial hardship are explicitly entitled to access hardship programs in those circumstances where they are paying for water consumption, without requiring disclosure to and approval from their landlord. Greater investigation and research are needed to understand the regularity and circumstances in which water consumption charges are being passed on to tenants so that appropriate responses can be developed.

Increase funding certainty for the financial counselling sector

The ability of financial counsellors to meet the demand for their services, retain skilled workers, and better promote their services, is limited by the total pool of available funding. The weight of demand on current services and insufficient funding also limits the ability of providers to undertake consistent data collection and analysis, workforce planning or expansion of service delivery in regional and remote areas.

Funding for financial counselling services is primarily provided by Commonwealth and State governments with some funding from philanthropic organisations. In 2020, the financial counselling sector received a welcomed COVID funding boost from the WA Government of $6.8 million to further expand financial counselling services to help Western Australians impacted by the COVID-19 pandemic. Prior to the pandemic there were high levels of unmet need across the metropolitan area, with the majority of financial counselling services turning away more people than they were able to support. This funding boost led to the employment of approximately 25 FTE financial counsellors across the State, equipping the sector to better meet the rising level of demand. The COVID funding for financial counselling has now expired, leading to the loss of financial counselling services and newly trained financial counsellors at a time when demand for these services continues to escalate amidst rapid rises in basic cost-of-living expenses.

Increased funding certainly would generate a range of positive impacts for the sector such as higher visibility of the services in the community, greater investment in state-wide research and data analysis, increased promotion and support for the National Debt Helpline, and an increased ability to secure and retain a workforce and invest appropriately in its professional development. This may include: promotion of financial counselling services through information pamphlets to be distributed through local councils, government agencies (Centrelink, Medicare, Australia Post), and community and health organisations to reach a wider population; provision of training and resources to financial counsellors to develop skills and better manage burnout and complex cases; and increased ability for providers to offer longer-term employment contracts, improving staff attraction and retention.

These positive impacts will flow on to Western Australians in hardship and in need of support, as financial counsellors will be equipped to manage their own workloads and wellbeing while better servicing their client’s complex needs, supporting and empowering clients to make positive changes to their financial situation.

Increase funding and promotion of emergency relief services

Emergency relief services are delivered by community organisations and help people address immediate basic needs in times of financial hardship or crisis. Emergency relief organisations provide immediate financial or material support to people in financial crisis, including food or clothing parcels, tenancy support, emergency accommodation, food, transport or chemist vouchers, and bill assistance, among other supports. A number of WACOSS member organisations, including emergency relief, charitable food, financial counselling and family and domestic violence services, have reported month-on-month increases in people accessing their services due to the cumulative financial and social impacts of COVID-19 and skyrocketing cost of living pressures.

While emergency relief services report an increase in demand, results from the customer survey indicated that seeking help from a welfare organisation was one of the coping mechanisms least likely to be utilised by respondents who were unable to pay a bill, above only obtaining a loan from the bank. This may suggest that the demand for emergency relief services would be higher if more people chose to engage with them. Respondents who were unable to pay a bill were much more likely to reduce expenditure or consumption of essential items such as food and electricity, gas or water, or reduce spending on leisure activities.

As indicated earlier in this report, shame and stigma are significant barriers for people in accessing support from utility retailers or financial counsellors, and likely contributed to a reluctance in accessing emergency relief. This experience of shame or stigma may result in hidden hardship, where the true levels and experiences of financial or material hardship are obscured by people's efforts to minimise them. The stigmatisation of accessing services and the complexities of navigating the emergency relief system are barriers for many seeking assistance for the first time.

Increased funding for emergency relief services by the Commonwealth and State Governments will help ensure that emergency relief services can better respond to widespread and growing financial hardship, while active promotion of emergency relief services by utility retailers may help raise awareness of available services for those seeking support.

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Appendix

Financial Counsellor Interview Questions

1. Could you please describe the range of typical clients that access your service?
    a. In your experience, what type of clients are most in need of assistance?
    b. What type of clients do you believe benefit most from your services? Why do you think that is/what are the contributing factors?
    c. What type of clients do you believe do not benefit from your assistance? Why do you think that is/what are the contributing factors?
2. Thinking beyond utility hardship to financial hardship in general, what, in your experience, have been the most successful strategies to assist a client to exit financial hardship?
3. Do you have any examples of when a financial hardship program did not work well for one of your clients? Why didn't it go well? What was the outcome?
4. Do you have a 'good news' story about one of your clients successfully completing a financial hardship arrangement with a utility provider? What do you think were the most important factors that allowed them to exit utility hardship?
5. Do you have any ideas about how financial hardship could be pre-empted or what measures could support early intervention? Whether directly via the utilities or through government policy?
6. Overall, what aspects of utility hardship programs do you think work well, or not so well, for your clients? And why do you think that?
7. How do different utility hardship programs – for example between water, electricity or gas - compare to one another? Are there any that are better or worse? In which ways? What about compared to other sectors? E.g. telecommunications
8. If you could make any recommendations to improve utility hardship programs, what would they be, and why?
9. Have you seen a difference in financial hardship cases being referred to you that you think are specifically due to COVID-19? More cases/fewer cases? Different types of clients, changes to the type of hardship or situations that your clients are facing? Can you give me some examples?
10. Is there anything I've missed in my questions that you think is important? Any final comments that you'd like to share?

Water Corporation Customer Survey Questions

Q1. Firstly, which of the following applies to you? *Select all that apply.*

a. Renting
b. Own a home outright
c. Have a **mortgage** on a property that I **live in**
d. Have a **mortgage** on an **investment property**
e. None of the above (exclusive)

Q2. Overall, how satisfied do you feel with your life?

'1' is 'not at all satisfied' and '10' is extremely satisfied

Q3. And to what extent do you agree with the following:

'1' is 'strongly disagree' and '10' is 'strongly agree'

a. I feel financially stable
b. I'm in good health
c. I can get support from people I'm close to (when I need it)
d. I feel positive about my future
e. I feel happy most of the time

Q4. Have you experienced any of the following in the last 12 months? *Select all that apply.*

a. Lost job / major reduction in income (myself / partner)
b. Purchased a home
c. Got married / moved in with partner
d. A newborn child in the family
e. Divorce / separation
f. Death of partner / household member
g. Impacted by serious illness (myself / family member)
h. Impacted by natural disaster (e.g. bushfire)
i. Made some other major decision (myself / partner)
j. Experienced some other life-changing event (myself / partner)
k. None of the above

Q5. Which of the following best describes your current financial situation?

a. Usually spend what we have
b. Spend more money than we get
c. Able to save some money

Q6. Imagine you have **one week** to pay a **$4,000** bill for an emergency situation.

Which of the below would most likely apply to you?

a. I'd be able to pay it using existing funds / savings
b. I'd need to obtain the money from elsewhere to pay for it (e.g. sell an item, borrow)
c. I don't think I could pay the bill

Q7. In the last year, have you felt **stressed** about paying for any of the following expenses?

Select all that apply

a. Food / groceries
b. Water bill
c. Electricity bill
d. Gas bill
e. Other household bills (e.g. phone, internet)
f. Insurance payments (e.g. health, car, home)
g. Rent payments
h. Mortgage / home loan
i. Car loan / personal loan

j. Credit card bills
k. Entertainment & leisure (e.g. dining out)
l. Other expenses
m. None

Q8. And were there times when you were **unable to pay** for any of these expenses?

Select all that apply

a. Food / groceries
b. Water bills
c. Electricity bills
d. Gas bills
e. Other household bills (e.g. phone, internet)
f. Insurance payments (e.g. health, car, home)
g. Rent payments
h. Mortgage / home loan
i. Car loan / personal loan
j. Credit card bills
k. Entertainment & leisure (e.g. dining out)
l. Other expenses
m. None

Q10 (a) During times when it's **stressful / difficult** paying a bill, have you done any of the following in the last 12 months?

Q10 (b) Imagine a scenario where you're **unable to pay a bill** due to **financial difficulties**.

What would you most likely to do in this situation?

Select all that apply.

a. Discuss situation / options with organisation (where I have an unpaid bill)
b. Seek financial assistance from a professional (e.g. financial counsellor)
c. Search online for options
d. Make a budget plan
e. Reduce spending on food / groceries
f. Reduce usage on water
g. Reduce usage on electricity / gas
h. Reduce spending on leisure activities (e.g. dining out)
i. Seek help from family / friends
j. Obtain loan from bank / credit provider
k. Pawn / sell something
l. Other (please specify)
m. Nothing
n. Don't know

Q11 (a) What were the things that **encouraged you to contact the relevant organisation to discuss payment options**? *And was there anything which made it easy or difficult in doing so?*

Q11 (b) What were the things that **encouraged you to seek financial assistance from a professional**? *And was there anything which made it easy or difficult in doing so?*

Q12 (b) If you have a water bill which you're unable to pay, what're your **thoughts** on **contacting Water Corporation to discuss payment options**?

Would you be open to it? Tell us why or why not.

Q12 (a) If you were to have financial difficulties, what're your **thoughts** on **seeking financial assistance from a professional**?

Would you be open to it? Tell us why or why not.

Q14. During times when it's hard to cope with bills & expenses, what would be **most helpful** to you in that situation? *Select all that apply.*

a. Being able to ask for help from organisations without feeling judged
b. Getting independent, expert advice on my options
c. Knowing where to go for financial help
d. Knowing my options as a customer (when I can't pay a bill)
e. Knowing how best to manage my money / budget
f. Having peer / emotional support
g. Having someone to guide me step by step
h. Other (please specify)
i. None of the above

Q15. Imagine if Water Corporation were to offer a range of options & services to help customers with financial stress.

Which of the below would be **most useful** to you *if* you were in that situation? *Select all that apply.*

a. Free financial counselling (Independent counsellors who provide advice, negotiate with organisations on outstanding bills etc.)
b. Access to relevant community services (e.g. food charities, housing support)
c. Flexible payment plan where I can decide the amount & how often
d. Option to discuss my situation using online / email methods
e. Option to discuss my situation over the phone
f. Extra time to make bill payments
g. A no-interest payment plan for my bills
h. Online tools for budgeting / managing money
i. A program that waives part of my bill if I can keep up with the agreed payment plan
j. Other (please specify)
k. None of the above

Q16. Who do you live with at home? *Select all that apply.*

a. Just myself
b. With partner / spouse
c. With young children, aged below 12 years
d. With teenage children, aged 12 to 17 years

e. With adult children, aged 18 years & above
f. With parents
g. With housemates / flatmates
h. Other

Q17. Which best describes you:

a. Self-employed
b. Work full time
c. Work part time
d. Work casual hours
e. Retired
f. Student
g. Home maker
h. Not employed & looking for work
i. Not employed & not looking for work
j. Other

Q18. Does any of below apply to [anyone in your household including yourself / you]? *Select all that apply.*

a. Require a carer / support to perform certain activities
b. Unable to work desired hours due to medical condition
c. Unable to work desired hours due to carer responsibilities
d. None of the above

Q19. Your annual household income:

Please include all forms of income including government support payments.

a. $20,000 and under
b. $20,001 to $40,000
c. $40,001 to $60,000
d. $60,001 to $80,000
e. $80,001 to $120,000
f. $120,001 to $160,000
g. $160,001 to $200,000
h. $200,001 and above
i. Prefer not to say

Q20. Your age group:

a. Under 18 years
b. 18 – 25
c. 26 – 34
d. 35 – 44
e. 45 – 54
f. 55 – 64
g. 65 – 74

h. 75+ years

Q21. Are you:

a. Male
b. Female
c. Non-binary
d. I describe my gender in another way
e. Prefer not to say

Q22. Which language(s) do you feel most comfortable speaking? *Select all that apply.*

a. English
b. Mandarin / Cantonese
c. Italian
d. Vietnamese
e. Filipino / Tagalog
f. Afrikaans
g. Other

Q23. Are you of Aboriginal and Torres Strait Islander descent?

a. No
b. Aboriginal
c. Torres Strait Islander
d. Aboriginal & Torres Strait Islander
e. Prefer not to say

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